



ALBARAKA BANK (PAKISTAN) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of AlBaraka Bank (Pakistan) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of AlBaraka Bank (Pakistan) Limited (the Bank), which comprise the statement of financial position as at 31 December 2020, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 20 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of the loss, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total Islamic financing and related assets of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

Chartered Accountants

Place: Karachi

Date: 19 March 2021

ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020	2019
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	5	15,773,612	26,319,937
Balances with other banks	6	10,177,095	2,850,550
Due from financial institutions	7	2,748,221	14,598,633
Investments	8	57,117,232	24,194,885
Islamic financing and related assets - net	9	90,279,044	75,443,712
Fixed assets	10	4,396,282	4,868,271
Intangible assets	11	1,329,654	1,477,211
Deferred tax assets	12	2,640,784	2,839,139
Other assets	13	8,351,698	9,389,888
		192,813,622	161,982,226
LIABILITIES			
Bills payable	14	3,696,482	3,223,721
Due to financial institutions	15	5,722,336	4,278,132
Deposits and other accounts	16	159,363,727	129,654,288
Subordinated debt	17	3,174,945	3,460,661
Deferred tax liabilities		-	-
Other liabilities	18	7,826,680	8,633,860
		179,784,170	149,250,662
NET ASSETS		13,029,452	12,731,564
REPRESENTED BY			
Share capital - net	19	14,500,490	14,500,490
Reserves		332,231	179,384
Surplus on revaluation of assets	20	723,509	1,185,540
Accumulated losses		(2,526,778)	(3,133,850)
		13,029,452	12,731,564
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.



Chief Executive Officer




Chief Financial Officer



Chairman



Director

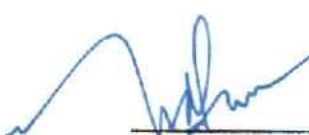
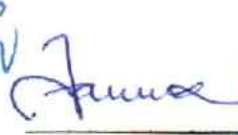





Director

ALBARAKA BANK (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Profit / return earned on Islamic financing and related assets, investments and placements	22	14,052,494	12,923,326
Return on deposits and other dues expensed	23	(7,676,157)	(7,912,215)
Net spread earned		6,376,337	5,011,111
Other income			
Fee and commission income	24	669,091	748,419
Dividend income		18,595	31,473
Foreign exchange income		966,312	734,566
Gain / (loss) on securities	25	174,469	(95,086)
Other income	26	57,282	10,841
Total other income		1,885,749	1,430,203
Total income		8,262,086	6,441,314
Other expenses			
Operating expenses	27	(5,393,641)	(5,214,659)
Workers' Welfare Fund		(31,396)	(155)
Other charges	28	(90,697)	(28,489)
Total other expenses		(5,515,734)	(5,243,303)
Profit before provisions		2,746,352	1,198,011
Provisions and write offs - net	29	(1,207,948)	(1,190,441)
Extra ordinary / unusual items		-	-
Profit before taxation		1,538,404	7,570
Taxation	30	(774,171)	(199,256)
Profit / (loss) after taxation		764,233	(191,686)
			----- Rupee -----
Profit / (loss) per share - basic / diluted	31	0.56	(0.14)

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.



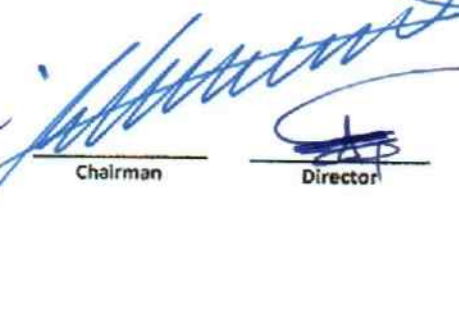

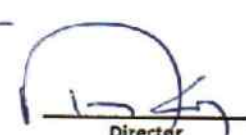






Chief Executive Officer Chief Financial Officer Chairman Director Director

ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	— (Rupees In '000) —	
Profit / (loss) after taxation for the year	764,233	(191,686)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax	(524,285)	924,794
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(10,003)	(8,084)
Surplus / (deficit) on revaluation of non-banking assets - net of tax	61,300	(92,171)
	51,297	(100,255)
Total comprehensive income	<u>291,245</u>	<u>632,853</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer Chief Financial Officer Chairman Director Director

ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

					Surplus / (deficit) on revaluation of			
	Share capital	Capital support fund	Discount on issue of shares	Statutory reserve*	Investments	Non banking assets	Accumulated loss	Total
	(Rupees in '000)							
Balance as at 31 December 2018	13,739,628	-	(832,768)	159,348	20,385	333,486	(2,914,998)	10,705,083
Loss after taxation for the year	-	-	-	-	-	-	(191,686)	(191,686)
Other comprehensive income - net of tax	-	-	-	-	624,794	(92,171)	(8,084)	624,539
Transfer to statutory reserve	-	-	-	20,036	-	-	(20,036)	-
Received during the year	-	1,393,628	-	-	-	-	-	1,393,628
Balance as at 31 December 2019	13,739,628	1,393,628	(832,768)	179,384	645,179	241,315	(3,134,804)	12,731,564
Profit after taxation for the year	-	-	-	-	-	-	764,233	764,233
Other comprehensive loss - net of tax	-	-	-	-	(524,285)	67,943	(10,003)	(486,345)
Transfer to statutory reserve	-	-	-	152,847	-	-	(152,847)	-
Transfer of surplus on revaluation of asset on disposal of non banking asset	-	-	-	-	-	(6,643)	6,643	-
Balance as at 31 December 2020	13,739,628	1,393,628	(832,766)	332,231	420,894	302,515	(2,528,778)	13,029,452

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.

* The statutory reserve represents profit set aside as required under the Prudential Regulation for Bank as issued by the State Bank of Pakistan.


 Chief Executive Officer


 Chief Financial Officer


 Chairman


 Director


 Director

ALBARAKA BANK (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 --- (Rupees in '000) ---	2019 ---
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,538,404	7,570
Less: Dividend income		(18,695)	(31,473)
		<u>1,519,809</u>	<u>(23,903)</u>
Adjustments:			
Depreciation on fixed assets	27	182,445	179,420
Depreciation on right-of-use assets	27	635,140	622,249
Amortization	27	177,565	196,777
Depreciation - non banking assets	27	32,086	25,667
Provision and write-offs - net	29	1,196,322	1,190,350
Gain on sale of fixed assets - net	26	(26,776)	(7,331)
Gain on sale of non-banking asset	26	(9,300)	-
Finance charges on lease liability against right-of-use assets	23	205,147	224,114
Unrealized loss on revaluation of securities classified as held for trading	25	(9,782)	(4,155)
Workers' Welfare Fund		31,396	155
		<u>2,425,869</u>	<u>2,427,337</u>
		<u>3,945,678</u>	<u>2,403,434</u>
(Increase) / Decrease in operating assets			
Due from financial institutions		11,850,412	(14,598,633)
Held-for-trading securities - net		(500,053)	81,694
Islamic financing and related assets - net		(16,071,153)	(1,518,326)
Others assets (excluding advance taxation)		939,257	231,776
		<u>(3,793,163)</u>	<u>(15,803,580)</u>
Increase/ (Decrease) in operating liabilities			
Bills payable		472,761	(473,756)
Due to financial institutions		1,444,204	442,110
Deposits and other accounts		29,709,439	29,739,277
Other liabilities		(455,389)	(607,379)
		<u>31,171,015</u>	<u>29,100,252</u>
Income tax paid		(196,571)	(160,112)
Net cash flows from operating activities		<u>31,126,959</u>	<u>15,539,994</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(32,663,398)	(65,127)
Net investments in held-to-maturity securities		(512,849)	(1,540,891)
Dividends received		18,595	33,756
Investment in fixed assets		(538,297)	(1,497,103)
Proceeds from sale of fixed assets		183,340	11,372
Net cash used in from investing activities		<u>(33,512,609)</u>	<u>(3,057,993)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Tier II mudaraba sukuk - first issue		(285,716)	(285,716)
Payment of lease liability against right-of-use assets		(548,414)	(208,396)
Receipt of Capital Support Fund		-	1,393,628
Net cash flows (used in) / from financing activities		<u>(834,130)</u>	<u>899,516</u>
(Decrease) / Increase in cash and cash equivalents			
		<u>(3,219,780)</u>	<u>13,381,517</u>
Cash and cash equivalents at beginning of the year	32	29,170,487	15,788,970
Cash and cash equivalents at end of the year	32	<u>25,950,707</u>	<u>29,170,487</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Chairman

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATUS AND NATURE OF BUSINESS

- 1.1 AlBaraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company. The Bank was granted an Islamic Banking License BL(I)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007. Upon merger of the Pakistan branches of AlBaraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(I)-01(2011) was issued by SBP on 12 March 2011, effective from close of business on 29 October 2010. The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (parent bank) incorporated and domiciled in Bahrain and a member of AlBaraka Banking Group.

- 1.2 During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, State Bank of Pakistan, through its letter no. BPRD (R&P-02)/2016/24373 dated 14 October 2016, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex Burj Bank Limited including all the properties, assets and liabilities and all the rights and obligations shall, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vest in the Bank and as a consequence, Ex Burj Bank Limited stands amalgamated with and into the Bank.

The Bank's registered office is located at 162, Bangalore Town, Main Sharah-e-Faisal, Karachi. The Bank has 188 branches including 8 sub-branches (31 December 2019: 192 branches including 8 sub-branches) in Pakistan.

- 1.3 Based on the financial statements of the Bank for the year ended 31 December 2019, VIS credit rating company limited has maintained the long-term rating at 'A+' and short-term rating at 'A1'. Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at 'A' and short term rating at 'A1'.
- 1.4 As at 31 December 2020, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.11.97 billion and 12.9% respectively.

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 02 dated 25 January 2018.

The Bank provides Islamic financing mainly through shariah compliant financial products as explained in Note 4.7.1 except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. Income, if any received, which does not comply with the principles of Shariah is recognized as charity payable.

2.1 STATEMENT OF COMPLIANCE

- 2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

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2.1.2 The SBP vide BSD Circular Letter No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1.3 IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The SBP vide its BPRD Circular Letter no. 15 of 2020 dated 26 March 2020 has directed the Bank to conduct IFRS 9 parallel run assessment from period beginning 1 July 2020.

2.1.4 The SBP vide its BPRD Circular No. 04 dated 25 February 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

The Bank has adopted the following standards and amendment to IFRSs which became effective for the current year:

Standard, Interpretations or amendments

- IFRS 3 - Definition of a business (Amendments)
- IAS 1/ IAS 8 - Definition of Material (Amendments)
- International Accounting Standard Board (IASB) revised Conceptual Framework
- IFRS 16 - Rent concessions on leased assets on account of Covid-19
- IFRS 14 - Regulatory Deferral Accounts

The adoption of the above standards, interpretations or amendment to accounting standards did not have any effect on Bank's financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
- IFRS 16 - Interest Rate Benchmark Reform Phase 2 (Amendments)	01 January 2021
- IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2021
- IFRS 3 - Revised Conceptual Framework (Amendments)	01 January 2022
- IAS 16 - Property, Plant and Equipments: proceeds before intended use	01 January 2022
- IAS 37 - Onerous Contracts: cost of fulfilling a contract	01 January 2022
- IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023

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The above amendments are not likely to have an impact on Bank's financial statements except for IFRS 9 Financial Instruments. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2021 but are considered not to be relevant to the Bank's operations and therefore, are not detailed in these financial statements.

The Bank has complied with the requirement of BPRD Circular Letter No. 15 of 2020 regarding quarterly parallel run of IFRS 9 from July 01, 2020. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP. The Bank awaits further instructions and guidelines from SBP for applicability of some aspect of IFRS 9.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	Effective date (annual periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	01 January 2004
- IFRS 17 – Insurance Contracts	01 January 2023

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key areas of estimates and judgments in relation to these financial statements are as follows:

a) Provision against non-performing Islamic

The Bank reviews its financing portfolio to assess amount of non-performing Islamic financing and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except where relaxation has been allowed by SBP.

The amount of general provision against consumer, small and medium enterprises and Islamic financing is determined in accordance with the relevant Prudential Regulations and SBP directives.

b) Impairment of available for sale investments

The Bank considers that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgement, in addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

c) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past.

d) Operating fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

e) Employees' benefit plans

The liabilities for employees' benefits are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 35.3. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

f) Impairment of goodwill and intangible assets with indefinite useful life

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The detailed assumptions underlying impairment testing of goodwill and intangible assets with indefinite useful life are given in note 11.5 to these financial statements.

g) Revaluation of non-banking assets

Non-banking assets acquired in satisfaction of claims are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value.

h) lease term of contracts with renewal options and discount rate

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank also considers the incremental borrowing rate based on certain internal and external factors.

The Bank has the option, under some of its leases to lease the asset for additional term based on mutual agreement with the lessor. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

i) Contingencies

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. The Bank reviews contingencies at each reporting date and adjust it to reflect the current best estimate if required.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for available for sale investments, non-banking assets and commitments in respect of foreign exchange forward contracts which have been measured at fair value in accordance with requirements of SBP. In addition, obligation in respect of staff retirement benefits are carried at present value as actuarial valuation.

3.2 Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Leases

Right-of-use assets

At the inception of the contract, the Bank assesses whether a contract is, or contain, a lease. The Bank applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease payment plus initial direct cost (if any). Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability against right-of-use

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. Lease payments include fixed lease payments less any incentive receivables, variable lease payment dependent upon index or rate, amount expected to be paid under residual value guaranteed if any. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, change in lease term, change in lease payments or change in assessment to purchase the underlying assets.

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Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.2 Business combination and goodwill

Business combination are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss account.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks in current and deposit accounts and investment with short term maturity of three months or less from date of acquisition (IAS 7).

4.4 Due to / from Financial Institutions

Bai Muajjal

In bai muajjal transactions, the Bank sells sukuk on credit to other Financial Institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of credit period.

Musharaka

In Musharaka, the Bank invests in the shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under Islamic Export Refinance Scheme (IERS)

Under IERS, the Bank accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

4.5 Investments

4.5.1 Investments are classified as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, profit rate movements or are securities included in a portfolio in which a pattern of short-term profit taking exists. Such securities are normally sold within 90 days of the purchase date.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

(c) Available for sale

These are investments, that do not fall under the 'held for trading' or 'held to maturity' categories.

4.5.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

4.5.3 Initial recognition and measurement

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

4.5.4 Subsequent measurement

(a) Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss for the year.

(b) Held to maturity

These are measured at amortised cost using the effective profit rate (EPR) method, less any impairment loss recognised to reflect irrecoverable amount. The amortisation and impairment are included in profit and loss for the year.

(c) Available for sale

In accordance with the requirements of the SBP, quoted securities and Government securities other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the statement of financial position as a component of equity and included in other comprehensive income for the year.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. In cases where the break up value of such shares is less than the cost, the difference of the cost and break up value is provided for accordingly by charging to the profit and loss account.

4.5.5 Impairment

Provision for diminution in the values of securities classified as available for sale and held to maturity (except sukuk certificates) is charged to profit and loss account. Provision for diminution in value of sukuk certificates is made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

4.5.6 Cost of equity investments is determined on weighted average basis.

4.6 Islamic financing and related assets

4.6.1 Brief nature of Islamic financing arrangements

Following is a brief nature of the financing arrangements entered into by the Bank.

Murabaha

Under murabaha financing, funds disbursed for purchase of goods are recorded as 'advance against murabaha finance'. On culmination of murabaha i.e. sale of goods to customers, murabaha financing are recorded at the deferred sale price net of deferred profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Ijara Financing

In ijara financing, the Bank provides the assets on periodic rentals for specific tenor to customers.

Istasna

In istasna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold by the customer on behalf of the Bank and the amount hence financed alongwith profit is paid back to bank.

Tijarah

In tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers for onward sale and on subsequent sale, the financed amount is paid back by the customer.

Diminishing Musharaka

In diminishing musharaka based financing, the Bank enters into musharaka based on Shirkat-ul-Mulk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's musharaka share by the customer.

Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Running Musharaka

Running musharaka is a shirkul-aqd based financing facility offered to the customers where the Bank participates in operating activities of the customer and share profit and loss as per the actual performance of their business.

4.6.2 Accounting policies of Islamic financing

Islamic financing and related assets (advance, inventories etc.) are stated net of specific and general provisions against non-performing Islamic financing, if any, which are charged to the profit and loss account.

Provisions against non-performing Islamic financing and related assets

Specific provision against non-performing Islamic financing is determined in accordance with the Prudential Regulations and other directives issued by the SBP. The Bank maintains general reserve (provision) (unless specific exemption is available from SBP) in accordance with the applicable requirements of Prudential Regulations for consumer finance.

Ijarah Assets

Ijarah financing booked is accounted for as per the requirements of IFAS 2, whereby assets leased out under ijarah are depreciated over the term of ijarah and the related rental income is recognised in the profit and loss account on an accrual basis after the delivery of asset.

Ijarah financing booked before 01 January 2009 is accounted for as a finance lease whereby assets under ijarah arrangements are presented as a receivable at an amount equal to net investment in ijarah. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the ijarah and is amortised over the term of the ijarah so as to produce a constant rate of return on net investment in ijarah.

Islamic financing and related assets are written off when there is no realistic prospect of recovery.

Inventories

Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories. The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase price paid by the customer as an agent on behalf of the Bank from the funds disbursed for the purpose of culmination of murabaha.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.7 Fixed Assets

4.7.1 Property and Equipment

Property and equipment, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Land is stated at cost.

Depreciation is charged using the straight-line method in accordance with the rates specified in note 10.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate at each statement of financial position date. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses on sale of fixed assets are credited / charged to the profit and loss account and disclosed in other income.

Subsequent costs are included in the assets' carrying amount and recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account as and when incurred.

4.7.2 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets become available for use.

4.8 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization rates are specified in note 11.1 to these financial statements.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.8.1 Impairment

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

4.9 Non-Banking Assets

The non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'Surplus on revaluation of assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer cost and direct cost of acquiring title to property is charged to profit and loss account and not capitalised.

Depreciation is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

4.10 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits taken on Qard basis are classified as 'Current Accounts' and Deposits generated on Mudaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors. However, the funds of current accounts are treated as equity for the purpose of profit calculation and only any profit earned / loss incurred on these funds are allocated to the equity of the Bank. Profits realized in pool are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (the Bank) can distribute its share of profit to Rab-ul-Maal in line with Shariah guidelines issued by SBP.

4.11 Sub-ordinated Loans

A subordinated loan is initially recorded at the amount of proceeds received and subsequently carried at amortised cost using ERP method. Profit accrued on subordinated loans is charged to the profit and loss account.

4.12 Revenue Recognition

- Profit on murabaha transactions is recognised on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the latter date.
- Rental income on ijarah financing booked is recognised on accrual basis.

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- Profit on diminishing musharaka, running musharaka, mudaraba and service ijarah are recognized on accrual basis.
- Profit on Running Musharakah financing is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- Profit on tijarah and istasna is recognized on accrual basis commencing from the time of sale of goods till the realization of sale proceeds by the Bank.
- Profit on bai muajjal transactions are recognized on accrual basis.
- Commission on letters of credit, acceptances and letters of guarantee is recognised when earned.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Profit from investment in sukuk is recognised on accrual basis. Premium and discount on purchase of sukuk are being amortized through profit and loss account over the remaining maturity.
- Gains / losses on disposal of fixed assets, ijarah assets and musharaka assets are taken to profit and loss account in the period in which they arise.
- Rentals from non-banking assets are recognised when earned.
- Gains / losses on sale of investments is included in profit and loss account.
- Income earned from avenues that are not Shariah compliant is not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Advisor of the Bank.
- Realization of profit earlier suspended in compliance with the Prudential Regulations issued by SBP is credited to profit and loss account on receipt basis.

4.13 Taxation

Income tax expense comprises current and deferred tax. Expense is recognised in profit and loss account except to the extent when it relates to items recognised directly in equity.

(a) Current

The charge for current taxation is based on expected taxable income for the year at the current rate of transaction. The Bank assessed its taxation income under Section 113 of Income Tax Ordinance, 2001.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises a deferred tax asset / liability on the deficit / surplus on revaluation of assets which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard (IAS) 12, 'Income Taxes'.

4.14 Staff Retirement Benefits

(a) Defined benefit plan

The Bank operates funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The scheme is regulated under its trust deed and rules of the fund and is administrated by the trustees nominated under its trust deed.

(b) Defined contribution plan

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10 percent of basic salary.

4.15 Provisions, Contingent Assets And Contingent Liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised unless inflow of economic benefits is virtually certain.

Contingent liabilities are not recognised but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.16 Provision For Guarantee Claims And Other Off-Balance Sheet Obligations

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognized in the profit and loss account under "fee and commission income" on receipt basis. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.17 Foreign Currency Transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the reporting date. Exchange gains or losses are included in the profit and loss account of the current period.

4.18 Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the reporting date.

4.19 Acceptances

Acceptances representing undertakings by the Bank to pay bills of exchange drawn on customers are recognized as liabilities of the Bank at the date of acceptance. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities.

4.20 Financial Instruments**(a) Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and rewards of ownership of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

(b) Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.21 Share capital and reserves

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Discount on issue of shares and capital support received are shown in equity as a separate reserve.

The appropriation to reserves are recognised in the financial statements in the period in which these are approved by the Board of directors.

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4.22 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

(a) Business segments

The business segments within the bank have been categorised in to the following classifications of business segments in accordance with the requirements specified by SBP

- Corporate banking

It includes corporate sukuk, project finance, export finance, trade finance, guarantees and mobilization of deposits.

- Commercial and Small & Medium Enterprise (SME) banking

It includes project finance, export finance, trade finance, guarantees and mobilization of deposits.

- Retail and Consumer banking

It includes retail lending and deposits and branch banking services. It also includes consumer auto and housing financing.

- Trading and sales

It includes treasury operations in respect of capital market, money market and other forex related activities.

- Payment and settlement

It includes centralized functions operating independent of aforementioned segments.

(b) Geographical segments

Currently, the operations of the Bank are carried out in Pakistan only.

4.23 Earnings Per Share

The Bank presents basic and diluted earnings per share (EPS) and basic and diluted loss per share for its shareholders. Basic EPS / loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS / loss per share is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.24 Pool Management

The Bank operates general and specific pools for depositors and other fund providers.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of Islamic financings and related assets, investments and placements.

Specific pools are operated for:

- (a) Funds received from State Bank of Pakistan for under the Islamic Export Refinance Scheme under the Musharaka mode.
- (b) Funds acquired from Islamic Financial Institutions for liquidity management under either Musharaka or Wakala modes.
- (c) Funds accepted on Mudaraba basis from high net-worth/special deposit customers who demand higher rates of return on their investments.

The profit of each deposit pool is calculated on all the remunerative assets by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. No provisions against any non performing assets of the pool is passed on to the pool. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

The deposits and funds under the above mentioned pools are provided to diversified sectors and avenues of the economy / business and are also invested in Government of Pakistan backed Ijarah sukuk and other sovereign securities. Musharaka investments from State Bank of Pakistan under Islamic Export Refinance are channelled towards the export sector of the economy.

	Note	2020 ---- (Rupees in '000) ----	2019 ---- (Rupees in '000) ----
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		3,278,211	2,578,761
Foreign currencies		1,572,873	670,966
		4,851,084	3,249,727
With State Bank of Pakistan in			
Local currency current account	5.1	8,054,209	20,574,168
Foreign currency current account	5.1	7,452	4,411
Foreign currency deposit account	5.1	1,350,659	1,161,413
		9,412,320	21,739,992
With National Bank of Pakistan in			
Local currency current account		1,510,200	1,330,210
Local currency deposit account		8	8
		1,510,208	1,330,218
		<u>15,773,612</u>	<u>26,319,937</u>
5.1 These include local and foreign currency amount required to be maintained by the Bank with SBP. These accounts are non-remunerative in nature.			

	Note	2020 ---- (Rupees in '000) ----	2019 ---- (Rupees in '000) ----
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		57,106	19,499
In deposit account	6.1	695,286	63,583
		752,391	83,082
Outside Pakistan			
In current account		5,829,554	1,623,099
In deposit account	6.1	3,595,150	1,144,369
		9,424,704	2,767,468
		<u>10,177,095</u>	<u>2,850,550</u>
6.1 The expected return on remunerative deposits ranges from 0.08% to 6.6% (31 December 2019: 1.6% to 8.97%) per annum.			

	Note	2020 ---- (Rupees in '000) ----	2019 ---- (Rupees in '000) ----
7. DUE FROM FINANCIAL INSTITUTIONS			
Call money lendings		-	1,703,324
Bal muajjal receivable			
- from scheduled banks	7.2	2,748,221	12,895,309
		<u>2,748,221</u>	<u>14,598,633</u>
7.1 Particulars of due from financial institution			
In local currency		2,748,221	12,895,309
In foreign currency		-	1,703,324
		<u>2,748,221</u>	<u>14,598,633</u>
7.2 The return on bal muajjal ranges from 6.5% to 7.4% (31 December 2019: 12.5% to 13.5%) per annum. These will mature by February 2021.			

Loss

8.4 Quality of available for sale securities

Details regarding quality of available for sale (AFS) securities are as follows:

8.4.1 Federal Government securities

- Government guaranteed

Ijarah sukuk

Bai muajjal

Others

2020 2019

Cost

----- (Rupees in '000) -----

25,974,598	2,055,933
4,631,375	4,118,526
22,116,852	12,003,297
<u>52,721,825</u>	<u>18,177,756</u>

8.4.2 Shares - at cost

Listed companies

Chemicals and pharmaceutical

Fertilizer

Cement

Textile

Power generation and distribution

Oil and gas

Refinery

Sugar

Paper and board

Automobile assembler

Engineering

Cable and electrical goods

Miscellaneous

68,845 73,449

61,947 46,268

102,795 173,174

22,856 22,856

110,127 134,756

269,829 271,552

34,246 56,983

41,961 41,961

71,409 71,409

47,070 58,549

47,195 63,537

32,461 32,461

- 13,584

910,741 1,060,519

8.4.3 Unlisted companies

Takaful Pakistan Limited*

Crown Textile Mills Limited**

SWIFT

2020		2019	
Cost	Break-up value	Cost	Break-up value
----- (Rupees in '000) -----			
52,200	26,046	52,200	26,046
-	-	-	-
4,630	4,630	4,484	4,484
<u>56,830</u>	<u>30,676</u>	<u>56,684</u>	<u>30,530</u>

* The break-up value of Takaful Pakistan Limited is Rs.6.25 per share as per the available (un-audited) financial statements for the period ended 30 September 2020 and Rs.5.78 per share as per the (audited) financial statements for the year ended 31 December 2019.

** The Bank holds 444,656 (2019: 444,656) shares of Crown Textile Mills Limited which were transferred at nil value upon amalgamation of Pakistan branches of Al Baraka Islamic Bank BSC.(C) with and into the Bank.

8.4.4 Non Government debt securities

Unlisted

- AA+

- A+

- A

- AA-

- Non-performing

2020 2019

Cost

----- (Rupees in '000) -----

500,000	500,000
499,450	465,750
211,200	281,600
-	100,000
111,455	111,455
<u>1,322,105</u>	<u>1,458,805</u>

8.4.5 Foreign securities

8.4.5.1 Government securities

- Oman

2020		2019	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
<u>480,083</u>	BBB	<u>465,269</u>	BBB

8.4.5.2 Non Government debt securities

Listed

- A+

- A

2020 2019

Cost

----- (Rupees in '000) -----

805,446	1,652,732
799,590	612,936
<u>1,605,036</u>	<u>2,165,668</u>

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9. ISLAMIC FINANCING AND RELATED ASSETS

ISLAMIC FINANCING AND RELATED ASSETS		Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
	Note	(Rupees in '000)					
- Murabaha financing	9.1	3,362,130	4,138,543	2,782,161	2,822,420	6,144,291	6,961,063
- Advance against murabaha financing		164,741	785,549	203,337	203,337	368,078	988,886
- Export refinance under Islamic scheme		247,000	330,000	87,505	87,505	334,505	417,505
- Advance against export refinance under Islamic scheme		4,470,566	3,935,032	-	-	4,470,566	3,935,032
- Diminishing musharaka and Ijarah financing	9.2	41,506,252	35,059,408	2,267,030	2,289,232	43,874,082	37,347,640
- Advance against diminishing musharaka finance		1,350,224	393,611	-	-	1,350,224	393,611
- Running musharaka		11,930,644	316,954	-	-	11,930,644	316,954
- Tijarah finance		1,759,385	1,758,076	-	-	1,759,385	1,758,076
- Over due acceptances		38,400	155,935	505,913	492,825	544,313	648,960
- Payment against guarantee		15,081	14,581	40,291	47,715	55,372	62,296
- Payment against documents		429,669	142,434	-	-	429,669	142,434
- Advance against salam		5,630,662	12,120,902	2,302,703	2,201,301	8,933,365	14,322,203
- Salam inventory		193	-	-	-	193	-
- Financing against bills		8,391	511,179	13,735	13,735	22,126	624,914
- Istisna finance		-	18,600	576,271	576,271	576,271	592,871
- Advance against istisna		15,557,217	11,437,663	698,106	495,365	16,255,323	11,933,028
- Istisna inventory		179,536	731,925	13,256	-	192,792	731,925
- Qarz-e-Hasna		93,268	91,302	20,900	21,475	114,168	112,777
- Rahnuma travel services		-	-	-	48	-	48
Islamic financing and related assets - gross		87,343,359	72,039,995	9,512,008	9,250,329	97,355,367	81,290,324
Provisions for non-performing financing							
- Specific	9.5	-	-	(6,557,682)	(5,676,672)	(6,557,682)	(5,676,672)
- General	9.5	(513,641)	(169,940)	-	-	(513,641)	(169,940)
		(513,641)	(169,940)	(6,557,682)	(5,676,672)	(7,076,323)	(5,846,612)
Islamic financing and related assets - net of provisions		87,324,718	71,870,055	2,954,326	3,573,657	90,279,044	75,443,712

Note		2020	2019
		(Rupees in '000)	(Rupees in '000)
9.1	Murabaha receivable - gross	6,590,594	7,555,944
	Less: Deferred murabaha income	(395,707)	(451,717)
	Profit receivable shown in other assets	(50,596)	(143,164)
	Murabaha financing	6,144,291	6,961,063
9.1.1	The movement in murabaha financing during the year is as follows:		
	Opening balance	5,951,063	9,892,372
	Sales during the year	10,809,417	14,148,471
	Adjusted during the year	(11,626,189)	(17,090,780)
	Closing balance	6,144,291	6,961,063
9.1.2	Murabaha sale price	6,590,594	7,555,944
	Murabaha purchase price	(6,144,291)	(6,961,063)
		446,303	594,881
9.1.3	Deferred murabaha income		
	Opening balance	451,717	447,525
	Arising during the year	550,876	794,566
	Less: Recognised during the year	(606,886)	(790,364)
	Closing balance	395,707	451,717

9.2 This includes ijarah financing contracts amounting to Rs. 490 (31 December 2019: Rs. 925.9) million which includes ijarah contracts of Rs. 109.4 million entered up to December 2008. These are accounted for as finance lease where by assets under ijarah agreements are presented as a receivable at an amount equal to net investment in ijarah.

9.2.1

	2020					
	Cost		Depreciation		Book value	
	As at 01 Jan 2020	Additions / (deletions)	As at 31 Dec 2020	As at 01 Jan 2020	Charge/ reversal for the year	As at 31 Dec 2020
(Rupees in '000)						
Plant and machinery	864,089	(121,837)	742,462	600,395	(68,187)	538,208
Vehicles	1,682,535	(692,318)	990,217	1,014,347	(309,986)	704,361
Total	2,546,634	(813,955)	1,732,679	1,620,742	(378,153)	1,242,589
	2019					
	Cost		Depreciation		Book value	
	As at 01 Jan 2019	Additions / (deletions)	As at 31 Dec 2019	As at 01 Jan 2019	Charge/ reversal for the year	As at 31 Dec 2019
(Rupees in '000)						
Plant and machinery	1,220,537	(356,438)	864,099	833,263	(228,863)	606,395
Vehicles	2,627,497	(944,962)	1,682,535	1,351,847	(337,500)	1,014,347
Total	3,848,034	(1,301,400)	2,546,634	2,185,110	(566,363)	1,620,742

9.3 Particulars of Islamic financing and related assets (Gross)

In local currency	97,300,991	80,439,286
In foreign currency	54,376	851,038
	97,355,367	81,290,324

- 9.4 Islamic financing and related assets include Rs.8,512,008 million (31 December 2019: Rs.9,250,329 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020		2019	
	Classified Islamic financing and related assets	Provision	Classified Islamic financing and related assets	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	29,208	-	24,856	-
Substandard	607,176	100,864	974,448	81,338
Doubtful	366,796	75,159	1,642,167	203,142
Loss	8,508,828	6,381,859	6,606,839	5,392,192
	9,512,008	6,557,882	8,250,329	5,678,672

- 9.5 Particulars of provisions against non-performing Islamic financing and related assets

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	5,676,672	169,940	5,846,612	4,614,044	145,978	4,760,022
Charge for the year	1,002,384	348,701	1,351,085	1,321,476	23,982	1,345,458
Reversals for the year	(113,216)	-	(113,216)	(258,226)	-	(258,226)
	889,169	348,701	1,237,870	1,062,250	23,962	1,086,212
Amounts written off against provision	9.6	(11,626)	(11,626)	(91)	-	(91)
Amounts charge for the year - agriculture financing	3,467	-	3,467	469	-	469
Closing balance	6,557,882	518,641	7,076,523	5,676,672	169,940	5,846,612

- 9.5.1 The above provision against non-performing Islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 2,532,521 million (31 December 2019: Rs. 3,063,979 million). The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees.

- 9.5.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of Prudential Regulations for consumer financing.

In addition, the Bank has also maintained a general provision of Rs.300 million against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

- 9.5.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 has allowed relaxation from further provisioning requirement against a financing exposure having a provisioning impact of Rs. 40,581 (31 December 2019: Rs. 40,581) million.

- 9.5.4 The SBP vide BPRD circular letter 13 of 2020 dated 26 March 2020, had relaxed certain classification criteria of SBP Prudential Regulation R-9 (Classification and Provisioning of Assets). These include deferment of principal and profit in case customer fails in the eligibility criteria prescribed for this purpose; and revision in criteria of classifying customer as non-performing in case of delayed repayment. These relaxations are mainly applicable for one year from the date of circular.

- 9.5.5 Particulars of provisions against non-performing Islamic financing and related assets

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	6,557,882	518,641	7,076,523	5,676,672	169,940	5,846,612
In foreign currency	-	-	-	-	-	-
	6,557,882	518,641	7,076,523	5,676,672	169,940	5,846,612

- 9.6 Particulars of write offs:

- 9.6.1 Against provisions

2020	2019
(Rupees in '000)	(Rupees in '000)
11,626	91

- 9.7 Details of loan write off of Rs. 600,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1.

10. FIXED ASSETS

Note	2020	2019
	(Rupees in '000)	(Rupees in '000)
Capital work-in-progress	348,311	360,546
Property and equipment	2,076,061	2,087,120
Right-of-use asset	1,972,910	2,440,605
	4,396,282	4,888,271

- 10.1 Capital work-in-progress

Civil works	296,275	345,377
Advance to suppliers	52,036	15,169
Advance for purchase of property - related party	251,680	251,680
Provisions for impairment against advance for purchase of property	(251,680)	(251,680)
	-	-
Total capital work-in-progress	348,311	360,546

- 10.1.1 The movement in capital work-in-progress during the year is as following:

Opening balance	360,546	534,900
Payment made during the year	179,900	49,233
Transfer-in from Non-banking assets during the year	-	108,197
Transfer-out to fixed assets during the year	(192,135)	(331,784)
Closing Balance	348,311	360,546

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10.2 Property and equipment

2020						
Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
(Rupees in '000)						
At 01 January 2020						
Cost	972,104	1,264,613	349,008	1,824,380	52,820	4,462,925
Accumulated depreciation	-	(704,328)	(277,171)	(1,372,457)	(41,849)	(2,395,805)
Net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
Year ended December 2020						
Opening net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
Cost:						
Additions	-	79,098	8,046	77,019	52,826	214,988
Disposals	-	(8,837)	(4,236)	(85,382)	(26,629)	(123,884)
Write off	-	(10,374)	(2,796)	(2,613)	-	(15,783)
Depreciation:						
Depreciation charge for the year	-	(62,050)	(15,162)	(95,815)	(9,418)	(182,445)
Disposals	-	6,305	3,901	82,723	11,441	104,370
Write off	-	5,548	2,571	2,576	-	10,695
Closing net book value	972,104	570,175	62,160	430,431	40,191	2,075,061
At 31 December 2020						
Cost	972,104	1,324,700	348,021	1,813,404	80,017	4,538,246
Accumulated depreciation	-	(754,525)	(285,861)	(1,382,973)	(39,826)	(2,463,185)
Net book value	972,104	570,175	62,160	430,431	40,191	2,075,061
Rate of depreciation (%)	-	5% - 10%	10%	10% - 50%	20%	

2019						
Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
(Rupees in '000)						
At 01 January 2019						
Cost	707,104	1,191,095	342,949	1,702,206	62,983	4,006,337
Accumulated depreciation	-	(642,034)	(262,403)	(1,301,007)	(50,668)	(2,256,112)
Net book value	707,104	549,061	80,546	401,199	12,315	1,750,225
Year ended December 2019						
Opening net book value	707,104	549,061	80,546	401,199	12,315	1,750,225
Cost:						
Additions	265,000	78,822	10,763	142,239	3,728	500,352
Disposals	-	(5,104)	(4,704)	(20,065)	(13,891)	(43,764)
Write off	-	-	-	-	-	-
Depreciation:						
Depreciation charge for the year	-	(65,126)	(19,277)	(90,421)	(4,596)	(179,420)
Disposals	-	2,832	4,509	18,971	13,415	39,727
Write off	-	-	-	-	-	-
Closing net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
At 31 December 2019						
Cost	972,104	1,264,613	349,008	1,824,380	52,820	4,462,925
Accumulated depreciation	-	(704,328)	(277,171)	(1,372,457)	(41,849)	(2,395,805)
Net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
Rate of depreciation (%)	-	5% - 10%	10%	10% - 50%	20%	

10.3 Right-of-use asset

	Note	2020 (Rupees in '000)	2019
At 01 January		2,440,805	-
Adjustment due to adoption of IFRS 16		-	2,385,960
At 01 January		2,440,805	2,385,960
Additions during the year		305,536	678,894
Depreciation charge during the year	27	(835,140)	(622,249)
Derecognition during the year		(23,083)	-
Modification		(115,008)	-
At 31 December	10.3.1	1,972,910	2,440,605

10.3.1 The right-of-use asset is against the branch offices of the Bank.

10.4 Disposal of assets - related party

Details of disposal of fixed assets made to any related party otherwise than through a regular auction are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in '000)						
Vehicles						
Honda Civic	3,729	497	3,232	3,232	As per Bank's policy	Mr. Ahmed Shuja Kidwai - Chief Executive Officer
Mercedes Benz	15,000	9,500	5,500	5,500	As per Bank's policy	Mr. Nadeem Amjad - Ex Deputy Chief Executive Officer
Computers						
Laptop	357	242	115	115	As per Bank's policy	Mr. Nadeem Amjad - Ex Deputy Chief Executive Officer
Laptop	72	58	14	16	As per Bank's policy	Mr. Shakir Hussain Nanji - Ex Employee
Laptop	107	15	92	92	As per Bank's policy	Mr. Ayaz Ahmed - Ex Employee
31 December 2020	19,265	10,312	8,953	8,955		

10.5 Property and equipment includes assets that are temporarily idle amounting to Rs.986.9 million (31 December 2019: Rs.986.9 million).

10.6 Fully depreciated property and equipment

Cost of property and equipment that are fully depreciated and are still in use are as follows:

	2020	2019
	(Rupees in '000)	
Building on leasehold land	283,760	271,164
Furniture and fixture	191,273	184,282
Electrical, office and computer equipment	987,389	1,048,638
Vehicles	30,467	31,231
	1,492,889	1,535,315

11. INTANGIBLE ASSETS

Note

	2020	2019
	(Rupees in '000)	
Computer software	69,668	101,161
Advance to suppliers against computer software	20,036	9,307
Core deposits	460,688	587,481
Brand	383,145	383,145
Goodwill	396,117	396,117
	1,329,654	1,477,211

11.1 Movement in intangibles assets is as following:

	2020		
	Computer software	Core deposits	Total
	(Rupees in '000)		
At 01 January 2020			
Cost	888,004	1,386,000	2,274,004
Accumulated amortisation	(786,843)	(798,519)	(1,585,362)
Net book value	101,161	587,481	688,642
Year ended December 2020			
Opening net book value	101,161	587,481	688,642
Cost:			
Additions	19,279	-	19,279
- through acquisitions / purchased			
Accumulated amortization:			
Amortisation charge for the year	(50,772)	(126,793)	(177,565)
Closing net book value	69,668	460,688	530,356
At 31 December 2020			
Cost	907,283	1,386,000	2,293,283
Accumulated amortisation	(837,615)	(925,312)	(1,762,927)
Net book value	69,668	460,688	530,356
Rate of amortisation (%)	14.29% - 33.33%	8.33% - 10%	
Useful life	3 to 7 Years	10 to 12 Years	

	2019		
	Computer software	Core deposits	Total
	(Rupees in '000)		
At 01 January 2019			
Cost	796,182	1,386,000	2,182,182
Accumulated amortisation	(723,038)	(665,545)	(1,388,583)
Net book value	73,144	720,455	793,599
Year ended December 2019			
Opening net book value	73,144	720,455	793,599
Cost:			
Additions			
- through acquisitions / purchased	91,822	-	91,822
Accumulated amortization:			
Amortisation charge for the year	(63,805)	(132,974)	(196,779)
Closing net book value	101,161	587,481	688,642
At 31 December 2019			
Cost	888,004	1,386,000	2,274,004
Accumulated amortisation	(786,843)	(798,519)	(1,585,362)
Net book value	101,161	587,481	688,642
Rate of amortisation (%)	14.29% - 33.33%	8.33% - 10%	
Useful life	3 to 7 Years	10 to 12 Years	

- 11.2 Intangible assets include computer software that are fully amortized and are still in use aggregating to Rs.734,155 million (31 December 2019: Rs.698,316 million).
- 11.3 Core deposit is an intangible asset acquired by the Bank during its amalgamation with Ex-Emirates Global Islamic Bank Limited and Ex-Burj Bank Limited. The value of core deposit has been valued by independent valuer. The carrying amount of core deposits is Rs. 460,685 million (31 December 2019: 587,481 million) with a remaining amortization period of 6 years.
- 11.4 Intangible assets include brand having indefinite useful life with a carrying amount of Rs.383,145 million (31 December 2019: Rs.383,145 million). This represents Bank's ability to attract new customers and generate superior returns from existing customers due to brand recognition. The management considers that the benefits from usage of brand will be available to the Bank for indefinite time period.
- 11.5 During the year, the management has assessed the fair value of the Bank which exceeds its breakup value. IAS 36 "Impairment of assets" requires that an impairment loss shall be recognized for a cash-generating unit if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). Accordingly, no impairment loss has been recognized in these financial statements on the intangible assets.

The key assumptions used for the purpose of the projections are as under:

Discount rates

Discount rates take into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Bank. The pre tax discount rate of 15.75% per annum has been used in the projections.

Terminal growth value

Terminal growth rate is a stable growth rate at which an asset will continue to grow perpetually. It is calculated using Gordon Growth Model and is estimated at 5%.

Discount for lack of marketability (DLOM)

The management has taken into account various characteristics such as liquidity, size of share holding etc. and estimated a DLOM adjustment of 20% in valuation of the Bank.

Sensitivity to changes in assumptions

Management believes that after considering the various scenarios no reasonable possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

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		2020			
		At 01 Jan 2020	Recognised in P&L	Recognised in OCI	At 31 Dec 2020
12. DEFERRED TAX ASSETS		(Rupees in '000)			
Deductible temporary differences on:					
- Tax losses carried forward	12.1	1,755,044	(510,244)	-	1,244,800
- Minimum tax		503,522	(53,664)	-	539,858
- Post retirement employee benefits		13,895	-	5,386	19,281
- Provision against assets		1,251,913	115,517	-	1,367,430
		3,624,374	(458,391)	5,386	3,171,369
Taxable temporary differences on:					
- Surplus on revaluation of investments		(502,287)	(3,424)	282,307	(223,404)
- Surplus on revaluation of non-banking assets -		(129,939)	-	(33,008)	(162,947)
- Accelerated tax depreciation		(153,009)	8,775	-	(144,234)
		(785,235)	5,351	249,299	(530,585)
		2,839,139	(453,040)	254,685	2,640,784
		2019			
		At 01 Jan 2019	Recognised in P&L	Recognised in OCI	At 31 Dec 2019
		(Rupees in '000)			
Deductible temporary differences on:					
- Tax losses carried forward		1,972,153	(217,109)	-	1,755,044
- Minimum tax		504,423	99,099	-	603,522
- Post retirement employee benefits		9,542	-	4,353	13,895
- Provision against assets		1,066,512	185,401	-	1,251,913
		3,552,630	67,391	4,353	3,624,374
Taxable temporary differences on:					
- Surplus on revaluation of investments		(2,865)	(1,454)	(497,967)	(502,287)
- Surplus on revaluation of non-banking assets		(179,569)	-	49,530	(129,939)
- Accelerated tax depreciation		(131,286)	(21,723)	-	(153,009)
		(313,721)	(23,177)	(448,337)	(785,235)
		3,238,909	44,214	(443,984)	2,839,139

- 12.1 The deferred tax asset on carried forward tax losses has been recognized in these financial statements as the management estimates that sufficient taxable profits will be available in future years against which the unused carry forward tax losses and other deductible temporary differences can be utilised. The estimates of future taxable profits are based on financial projections of the Bank for the next five years approved by the Board. The projections involve certain key assumptions underlying the estimation of future taxable profits. Key assumptions include income tax rates, cost to income ratio, deposit composition, Kibor rates, growth of deposits and Islamic financing, investment returns, product mix of Islamic financing and related assets, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

		2020	2019
		(Rupees in '000)	
13. OTHER ASSETS			
Profit / return accrued in local currency		3,910,987	3,620,174
Profit / return accrued in foreign currency		15,160	17,377
Advances, deposits, advance rent and other prepayments		441,236	379,405
Advance taxation (payments less provisions)		106,647	231,207
Receivable in respect of defined benefit plan		-	23,351
Receivable against sale of shares		9,798	58,839
Non-banking assets acquired in satisfaction of claims	13.1.1	1,382,794	1,527,768
Branch adjustment account		-	126,800
Unrealised gain on re-measurement of forward exchange contracts		80,190	10,156
Stamps and stationery		6,422	4,646
Acceptances		1,808,125	2,899,069
Others		273,980	267,451
		8,035,349	9,166,243
Less: Provision held against other assets	13.2	(149,212)	(146,140)
Other assets (net of provision)		7,886,137	9,020,103
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1.1	465,561	369,785
Other assets - total		8,351,698	9,389,888
13.1 Market value of non-banking assets acquired in satisfaction of claims		1,880,440	1,997,402

- 13.1.1 The non-banking assets acquired in satisfaction of claims have been revalued by professionally qualified valuers listed on Pakistan Banking Association panel of valuers namely Professional Associates, Oceanic Surveyors Private Limited, Asrem Private Limited, Medallion Services Private Limited and Star Tech Consultants.

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	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
13.1.2 Non-banking assets acquired in satisfaction of claims			
Opening balance		1,897,553	2,173,218
Addition during the year		6,110	-
Revaluation surplus - net		104,528	(141,801)
Disposal / transfers		(127,750)	(108,197)
Depreciation for the year		(32,088)	(25,667)
Closing balance		<u>1,848,355</u>	<u>1,897,553</u>
13.1.3 Gain / loss on disposal of non-banking assets acquired in satisfaction of claims			
Disposal Proceeds		137,050	-
less			
- Cost		<u>127,750</u>	<u>-</u>
- Impairment / Depreciation		<u>-</u>	<u>-</u>
		<u>127,750</u>	<u>-</u>
Gain on disposal		<u>9,300</u>	<u>-</u>
13.2 Provision held against other assets			
Non-performing receivables		148,966	145,894
Others		246	246
		<u>149,212</u>	<u>146,140</u>
13.2.1 Movement in provision held against other assets			
Opening balance		146,140	148,305
Charge for the year		<u>3,072</u>	<u>-</u>
Reversal during the year		<u>-</u>	<u>-</u>
Write off		<u>-</u>	<u>(2,165)</u>
		<u>3,072</u>	<u>(2,165)</u>
Closing balance		<u>149,212</u>	<u>146,140</u>
14. BILLS PAYABLE			
In Pakistan		3,696,482	3,223,721
Outside Pakistan		-	-
		<u>3,696,482</u>	<u>3,223,721</u>
15. DUE TO FINANCIAL INSTITUTIONS			
Secured			
Borrowings from State Bank of Pakistan			
- Under export refinance scheme	15.1	3,363,810	4,278,132
- Under refinance scheme for payment of salaries and wages	15.2	2,356,277	-
Unsecured			
Overdrawn nostro accounts		<u>2,249</u>	<u>-</u>
		<u>5,722,336</u>	<u>4,278,132</u>
15.1	The range of profit rates on these borrowings is 1% to 2% per annum (31 December 2019: 1% to 2% per annum). The maximum limit approved by SBP to the Bank under Islamic Export Refinance Scheme is Rs.6.609 billion (31 December 2019: Rs.4.65 billion). The above contracts will mature by 28 June 2021.		
15.2	SBP vide its Circular no.06 of 2020 has introduced a refinance scheme for businesses for payment of wages and salaries to combat the impact of Covid-19. The scheme aims to finance wages and salaries of permanent, contractual, daily wagers and outsourced employees. The maximum limit approved by SBP to the Bank under this scheme is Rs. 3 billion.		
15.3 Particulars of due to financial institutions with respect to currencies		2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
In local currency		5,720,087	4,278,132
In foreign currency		<u>2,249</u>	<u>-</u>
		<u>5,722,336</u>	<u>4,278,132</u>

16. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	32,089,367	6,414,325	38,503,682	21,674,643	4,804,672	26,479,315
Savings deposits	53,918,588	5,063,663	58,982,151	47,273,774	4,567,489	51,841,243
Term deposits	47,062,823	2,090,886	49,153,709	42,002,296	1,938,320	43,940,616
Others	1,716,868	-	1,716,866	1,342,347	-	1,342,347
	134,787,634	13,568,774	148,356,408	112,283,060	11,310,461	123,603,521
Financial Institutions						
Current deposits	195,242	2,722	197,964	24,097	1,342	25,439
Savings deposits	9,483,154	651	9,483,805	4,860,589	709	4,861,278
Term deposits	1,325,550	-	1,325,550	1,164,050	-	1,164,050
	11,003,946	3,373	11,007,319	6,048,716	2,051	6,050,767
	145,791,680	13,572,147	159,363,727	118,341,776	11,312,512	129,654,288

16.1 Composition of deposits

- Individuals
- Government (federal and provincial)
- Public sector entities
- Banking companies
- Non-banking financial institutions
- Private sector

	2020	2019
	(Rupees in '000)	
	67,705,607	59,197,426
	9,307,923	8,020,857
	2,007,579	1,854,372
	578,234	887
	10,429,085	6,048,879
	69,335,299	54,530,867
	159,363,727	129,654,288

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs.85,545 million (31 December 2019: Rs.71,146 million).

17. SUBORDINATED DEBT

- Tier II mudaraba sukuk - first issue
- Tier II mudaraba sukuk - second issue
- Additional Tier I capital

	2020	2019
	(Rupees in '000)	
	285,704	571,420
	1,500,000	1,500,000
	1,389,241	1,389,241
	3,174,845	3,460,661

17.1 In September 2014, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (first issue) based on mudaraba of Rs.2 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (first issue) is as follows:

Credit rating	A- by PACRA (The Pakistan Credit Rating Agency Limited)
Issue date	26 September 2014
Tenor	7 years from the issue date.
Profit payment frequency	Semi-annually in arrears
Redemption	Semi-annually
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 1.25% per annum.
Call option	The Bank may call Tier-II Sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Tier-II Sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

17.2 In August 2017, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (second issue) based on mudaraba of Rs.1.5 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (second issue) is as follows:

Credit rating	A by JCR-VIS Credit Rating Company Limited.
Issue date	22 August 2017
Tenor	7 years from the issue date.
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the seventh year.
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 0.75% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

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- 17.3 In December 2018, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed additional Tier-I (ADT-1) capital based on modaraba of Rs.1.389 billion. A brief description of additional Tier-I (ADT-1) capital is as follows:

Credit rating	Not rated
Issue date	26 December 2018
Tenor	Perpetual
Profit payment frequency	Monthly
Redemption	Perpetual
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 1 Year KIBOR + 2.50% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The ADT-1 capital, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the ADT-1 capital, if such payment will result in a shortfall in the Bank's minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

18. OTHER LIABILITIES	Note	2020 ----- (Rupees in '000) -----	2019
Return on deposits and borrowings:			
- payable in local currency		1,070,591	1,225,143
- payable in foreign currencies		1,308	9,420
Accrued expenses		435,346	369,762
Advance payments		709,536	415,437
Charity fund balance	18.1	77,238	46,351
Security deposits against ijarah		302,103	527,296
Payable against purchase of listed shares		3,310	5,738
Payable in respect of defined benefit plan		7,899	-
Takeful payable against ijarah and diminishing musharakah assets		319,259	293,699
Branch adjustment account		396,685	-
Acceptances		1,808,125	2,899,069
Lease liability against right-of-use assets		1,966,167	2,309,434
Others		729,113	532,511
		<u>7,826,680</u>	<u>8,633,860</u>
18.1 Charity Fund			
Opening balance		46,351	46,736
Additions during the year			
Received from customers on account of delayed payment		62,976	49,151
Dividend purification amount		928	382
Non-shariah compliant income		20,467	1,186
Profit on charity saving account		33	47
Others		114	5
		<u>84,518</u>	<u>50,771</u>
Payments / utilization during the year			
Education		(16,031)	(6,818)
Health		(33,920)	(25,782)
Mass wedding		-	(1,635)
Infrastructure and development		(3,130)	(2,520)
Others		(550)	(14,401)
		<u>(53,631)</u>	<u>(51,156)</u>
Closing balance		<u>77,238</u>	<u>46,351</u>

19. SHARE CAPITAL

19.1 Authorized capital

2020	2019		2020	2019
-----Number of shares-----			----- (Rupees in '000) -----	
2,000,000,000	2,000,000,000	Ordinary shares of Rs.10 each	20,000,000	20,000,000

19.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
-----Number of shares-----			----- (Rupees in '000) -----	
450,000,000	450,000,000	Ordinary shares of Rs.10 each fully paid in cash	4,500,000	4,500,000
923,962,760	923,962,760	Issued for consideration other than cash	9,239,628	9,239,628
1,373,962,760	1,373,962,760		13,739,628	13,739,628
-	-	Add: Capital support fund*	1,393,628	1,393,628
-	-	Less: Discount on issue of shares	(632,766)	(632,766)
1,373,962,760	1,373,962,760		14,500,490	14,500,490

* In order to support the CAR requirements, Al Baraka Islamic Bank, B.S.C (c) (Parent Bank) has injected the temporary Capital Support Fund amounting to Rs 1.389 billion (USD 9 million) which is an allowable capital for the purposes of CAR, MCR and Leverage ratio. These funds can only be remitted back after prior approval of SBP. In case capital of the Bank is not increased through alternate plans, the said capital support fund will be converted into Share Capital of the Bank. Presently, SBP has allowed the Bank, timeline extension for the commencement of conversion process of Capital Support Fund into Share Capital till June 2021. At present, the Bank does not have relevant basis to determine the number of shares to be issued at the time of conversion, accordingly the diluted EPS cannot be ascertained.

19.3 Shareholders having more than 10% shareholding in 2020 and 2019

Name of shareholder	2020		2019	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
AlBaraka Islamic Bank (Bahrain) B.S.C. (c)	812,446,082	59.13%	812,446,082	59.13%
Islamic Corporation for the Development of the Private Sector	162,847,717	11.85%	162,847,717	11.85%
Mal Al Khaleej Investment L.L.C.	158,360,039	11.53%	158,360,039	11.53%

20. SURPLUS ON REVALUATION OF ASSETS

	Note	2020	2019
		----- (Rupees in '000) -----	
Surplus on revaluation of:			
- Available for sale securities	8.1	647,529	1,454,121
- Non-banking assets acquired in satisfaction of claims	20.1	465,561	371,253
		1,113,090	1,825,374
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(226,635)	(508,942)
- Non-banking assets acquired in satisfaction of claims	20.1	(162,946)	(129,938)
		(389,581)	(638,880)
		723,509	1,186,494

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Note 2020 2019
 ----- (Rupees in '000) -----

**20.1 Surplus on revaluation of non-banking assets
 acquired in satisfaction of claims**

Surplus on revaluation as at January 1	371,253	513,054
Realised on transfer / disposal during the year	104,528	(141,801)
Realised on disposal during the year	(10,220)	-
Surplus on revaluation as at December 31	465,561	371,253
Less: related deferred tax liability on:		
- revaluation as at January 1	(129,938)	(179,568)
- surplus realised on transfer / disposal during the year	(36,585)	49,630
- surplus realised on disposal during the year	3,577	-
	(162,946)	(129,938)
	<u>302,615</u>	<u>241,315</u>

21. CONTINGENCIES AND COMMITMENTS

- Guarantees	21.1	8,052,300	8,233,993
- Commitments	21.2	43,468,442	34,171,299
		<u>51,520,742</u>	<u>42,405,292</u>

21.1 Guarantees:

Financial guarantees	9,017	9,125
Performance guarantees	4,919,029	6,244,836
Other guarantees	3,124,254	1,980,032
	<u>8,052,300</u>	<u>8,233,993</u>

21.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		10,638,401	7,402,115
Commitments in respect of forward foreign exchange contracts	21.2.1	32,815,873	26,763,463
Commitments for acquisition of operating fixed assets		14,168	5,721
		<u>43,468,442</u>	<u>34,171,299</u>

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	2020	2019
	(Rupees in '000)	
21.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	16,049,914	14,154,376
Sale	16,765,959	12,609,085
	<u>32,815,873</u>	<u>26,763,463</u>

21.3 Tax contingencies

21.3.1 The Bank has received various assessment orders from Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2011 amounting to Rs. 86.5 million and Rs. 34.575 million in respect of year 2012. In response to the Bank's appeal, Appellate Tribunal Inland Revenue (ATIR) has set aside the orders relating to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, Commissioner Inland Revenue (CIR) Appeal has dropped the proceedings amounting to Rs.8.991 million. Accordingly, the Bank has filed the appeal before ATIR against the order of CIR Appeal amounting to Rs.25.584 million.

In respect of assessments of ex - Burj Bank Limited (now AlBaraka Bank (Pakistan) Limited), the taxation authorities have raised a demand of Rs.1.9 million on account of minimum tax in respect of tax year 2011 which has been challenged by the management and is currently pending before the ATIR.

21.3.2 During the year 2020, the Bank has received assessment orders from Appellate Tribunal (ATIR) in respect of Ex-Al Baraka Islamic Bank B.S.C (merged with and into the Bank) related to various tax matters from tax years 2001-2011. Based on the advice of tax advisor, the Bank has filed the reference application before the Honorable High Court, Lahore against the said orders. The management of the Bank is confident that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made in these financial statements for the income tax claims amounting to Rs.116.512 million (31 December 2019: Rs.116.512 million).

21.3.3 During the year 2020, Additional Commissioner In Land Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance on account of certain additions / disallowances of certain expenses. The Bank has filed an appeal against the said decision before Commissioner (Appeals - I). The management and the Bank's tax consultant is confident that the appeals are likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs.116.487 million.

21.4 Other contingencies

21.4.1 Claims against the Bank not acknowledged as debt

	<u>3,021,884</u>	<u>1,793,025</u>
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These mainly represent counter claims by borrowers for damages, claimed filed by former employee(s) of the Bank and other claims related to banking transactions. Based on legal advice and/or internal assessments, management is confident that the matters will be decided in the Bank's favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

22. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS

On:

- Islamic financing and related assets	9,068,597	9,364,180
- Investments	3,178,556	2,427,619
- Due from financial institutions	1,794,376	1,129,084
- Balances with banks	10,965	2,443
	<u>14,052,494</u>	<u>12,923,326</u>

23. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

On:

- Deposits	6,697,570	6,823,174
- Borrowings	71,329	88,493
- Conversion cost against foreign currency deposits / borrowings	164,365	338,842
- Subordinated debt	454,799	365,167
- Finance charge on lease liability against right-of-use asset	205,147	224,114
- Export refinance under Islamic scheme	82,947	72,425
	<u>7,676,157</u>	<u>7,912,215</u>

24. FEE & COMMISSION INCOME

Branch banking customer fees	81,368	112,771
Consumer finance related fees	98,130	101,917
Debit card related fees and income	66,039	73,544
Investment banking fees	42,240	65,027
Commission on trade	263,752	256,377
Commission on guarantees	56,160	61,637
Commission on cash management	4,727	2,419
Commission on remittances including home remittances	28,006	13,854
Commission on bancatakaful	6,038	28,748
Others	22,631	32,125
	<u>669,091</u>	<u>748,419</u>

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		2020	2019
		(Rupees in '000)	
25. GAIN / LOSS ON SECURITIES	Note		
Realised	25.1	164,687	(99,241)
Unrealised - held for trading	8.1	9,782	4,155
		<u>174,469</u>	<u>(95,086)</u>
25.1 Realised gain / (loss) on:			
Federal Government securities		175,043	6,883
Shares		(33,105)	(106,124)
Foreign Sukuk		22,749	-
		<u>164,687</u>	<u>(99,241)</u>
26. OTHER INCOME			
Rent on property		21,206	3,510
Gain on sale of fixed assets-net		26,776	7,331
Gain on sale of non banking assets		9,300	-
		<u>57,282</u>	<u>10,841</u>
27. OPERATING EXPENSES			
Total compensation expense	27.1	2,364,638	2,135,379
Property expense			
Rent and taxes		64,400	56,120
Insurance		54,825	53,515
Utilities cost		209,374	209,459
Security (including guards)	27.2	236,867	217,728
Repair and maintenance (Including janitorial charges)	27.2	86,696	94,501
Depreciation on fixed assets		62,050	65,126
Depreciation on right of use assets		635,140	622,249
Depreciation - non banking assets		32,086	25,667
Others		7,575	26,636
		<u>1,389,012</u>	<u>1,371,001</u>
Information technology expenses			
Software maintenance		164,051	157,810
Hardware maintenance		56,272	58,596
Depreciation on fixed assets		29,377	21,320
Amortisation		60,772	63,805
Network charges		78,674	72,030
Others	27.3	46,037	41,716
		<u>424,163</u>	<u>415,277</u>
Other operating expenses			
Directors' fees and allowances		55,000	61,130
Fees and allowances to Shariah Board		4,000	4,430
Legal and professional charges		81,146	63,636
Outsourced services costs	27.2	170,984	155,718
Travelling and conveyance		19,905	30,135
NIFT clearing charges		17,771	15,113
Depreciation on fixed assets		91,018	92,974
Amortization		126,793	132,972
Takaful and registration of Ijarah		32,821	53,378
Training and development		10,569	14,354
Postage and courier charges		25,972	20,993
Communication		49,144	50,096
Stationery and printing	27.2	90,344	84,145
Marketing, advertisement and publicity		30,445	84,841
Repair and maintenance		45,975	52,773
Auditors' remuneration	27.4	14,293	12,555
Depositors' protection		113,833	105,754
Brokerage, commission and bank charges		168,226	196,142
Others		67,569	61,863
		<u>1,215,808</u>	<u>1,293,002</u>
		<u>5,393,641</u>	<u>5,214,659</u>

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27.1 Total compensation expense	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Managerial remuneration			
i) Fixed		1,295,647	1,189,091
ii) Total variable		69,747	68,786
of which			
a) Cash bonus / awards		69,747	68,786
a) Bonus and awards in shares		-	-
Charge for defined benefit plan		78,615	51,847
Contribution to defined contribution plan		94,101	81,817
Rent and house maintenance		328,758	296,722
Utilities		107,694	97,604
Medical		120,069	105,105
Conveyance		269,001	244,301
Others		1,006	106
		<u>2,364,638</u>	<u>2,135,379</u>

27.2 These amounts include outsourcing services with regards to janitorial services, security services, contractual employees over third party contracts and printing activities.

27.3 This mainly includes cost relating to outsourcing activities amounting to Rs. 37.748 million (31 December 2019: Rs. 39.542 million) relating to Euronet Pakistan on account of IT support services and licensing fees.

27.4 Auditors' remuneration	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Audit fee		2,835	2,637
Fee for limited scope review-half yearly		854	794
Fee for audit of group reporting		4,174	4,508
Fee for other statutory certifications		2,899	1,631
Fee for audit of AJK and Gilgit Region branches		479	446
Special certifications and sundry advisory services		790	735
Sindh sales tax		1,069	860
Out-of-pocket expenses		1,203	944
		<u>14,293</u>	<u>12,555</u>

28. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		<u>90,697</u>	<u>28,489</u>
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29. PROVISIONS AND WRITE OFFS - NET

(Reversal) / provisions for diminution in value of investments	8.3.1	(42,857)	101,679
Provision against non-performing Islamic financing and related assets	9.5	1,241,337	1,086,681
Provision against other assets		3,072	-
Write off against other assets		1,308	2,081
Write off against fixed assets		5,088	-
		<u>1,207,948</u>	<u>1,190,441</u>

30. TAXATION

Current	30.1	321,131	243,470
Deferred	12	453,040	(44,214)
		<u>774,171</u>	<u>199,256</u>

30.1 The numerical reconciliation between average tax rate and applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years.

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	2020	2019
	----- (Rupees in '000) -----	
31. BASIC / DILUTED EARNING / (LOSS) PER SHARE		
Profit / (loss) after taxation for the year	<u>764,233</u>	<u>(191,686)</u>
	--- Number of shares ---	
Weighted average number of ordinary shares	<u>1,373,962,760</u>	<u>1,373,962,760</u>
Basic / diluted earning / (loss) per share - Rupee	<u>0.56</u>	<u>(0.14)</u>

32. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	16,773,612	26,319,937
Balance with other banks	<u>10,177,095</u>	<u>2,850,550</u>
	<u>26,950,707</u>	<u>29,170,487</u>

33. Reconciliation of movement of liabilities to cash flow arising from financing activities

	2020	2019
	----- (Rupees in '000) -----	
Balance as at 01 January	4,645,893	3,746,377
Change from financing cash flows		
Repayment of Tier II mudaraba sukuk-first issue	(285,716)	(285,716)
Payment of lease liability against right-of-use assets	(548,414)	(208,396)
Receipt of Capital Support Fund	-	1,393,628
Balance as at 31 December	<u>3,811,763</u>	<u>4,645,893</u>

34. STAFF STRENGTH

	----- Number -----	
Permanent	1,725	1,770
On bank contract	281	306
Consultants	1	1
Bank's own staff strength at the end of the year	<u>2,007</u>	<u>2,077</u>

34.1 In addition to the above, 497 (31 December 2019: 567) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank operates funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The Bank contributes to the gratuity fund based on the independent actuarial valuations.

35.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2020	2019
	----- Number -----	
- Gratuity fund	<u>1,849</u>	<u>1,879</u>

35.3 Principal actuarial assumptions

The actuarial valuations were carried out as at 31 December 2020 using the following significant assumptions:

	Note	2020 ----- Per annum -----	2019
Discount rate		10.25%	11.75%
Expected rate of return on plan assets		10.25%	11.75%
Expected rate of salary increase		8.25%	9.75%

35.4 Reconciliation of (receivable from) / payable to defined benefit plans

Present value of obligations		336,539	284,008
Fair value of plan assets		(328,640)	(307,359)
		<u>7,899</u>	<u>(23,351)</u>

35.5 Movement in defined benefit obligations

Obligations at the beginning of the year		284,008	240,391
Current service cost		84,290	59,542
Interest cost		30,498	30,508
Benefits paid by the Bank		(61,761)	(35,836)
Re-measurement gain		(496)	(10,597)
Obligations at the end of the year		<u>336,539</u>	<u>284,008</u>

35.6 Movement in fair value of plan assets

Fair value at the beginning of the year		307,359	262,288
Expected return on plan assets		36,173	38,203
Contribution by the Bank - net		62,754	65,738
Benefits paid		(61,761)	(35,836)
Re-measurements: Net return on plan assets over interest income loss	35.8.2	(15,885)	(23,034)
Fair value at the end of the year		<u>328,640</u>	<u>307,359</u>

35.7 Movement in receivable under defined benefit schemes

Opening balance		(23,351)	(21,897)
Charge for the year		78,615	51,847
Contribution by the Bank - net		(62,754)	(65,738)
Re-measurement loss recognised in OCI during the year	35.8.2	15,389	12,437
Closing balance		<u>7,899</u>	<u>(23,351)</u>

35.8 Charge for defined benefit plans**35.8.1 Cost recognised in profit and loss**

Current service cost		84,290	59,542
Net interest on defined benefit asset / liability		(5,675)	(7,695)
		<u>78,615</u>	<u>51,847</u>

35.8.2 Re-measurements recognised in OCI during the year

Loss on obligation			
- Financial assumptions		(3,495)	(3,981)
- Experience adjustment		2,999	(6,616)
Return on plan assets over interest income		15,885	23,034
Total re-measurements recognised in OCI		<u>15,389</u>	<u>12,437</u>

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	2020	2019
	(Rupees in '000)	
35.9 Components of plan assets		
Cash and cash equivalents - net	285,392	265,149
Units of mutual funds	43,248	42,210
35.10 Sensitivity analysis		
1% increase in discount rate	301,769	255,290
1% decrease in discount rate	377,530	317,765
1 % increase in expected rate of salary increase	379,779	319,699
1 % decrease in expected rate of salary increase	299,402	253,272
35.11 Expected contributions to be paid to the funds in the next financial year	68,148	57,138
35.12 Expected charge for the next financial year	68,148	57,138
35.13 Maturity profile		
Weighted average duration of the defined benefit obligation		
Distribution of timing of benefit payments	11.26 years	11 years
Less than 12 months	14,662	20,380
Between 1 year and 5 years	63,987	57,389
Between 6 and 10 years	191,084	166,659
Above 10 years	1,248,057	1,388,168

35.14 Risks associated with defined benefit plan

- Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

- Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

- Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

- Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation.

36. DEFINED CONTRIBUTION PLAN

The Bank also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2020	2019
	(Rupees in '000)	
Contribution from the Bank	94,101	81,817
Contribution from the employees	94,101	81,817
	188,202	163,634

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

		2020					
		Directors		Member shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
		Chairman	Non executives				
Note		(Rupees in '000)					
Fees and allowances etc.		2,000	53,000	4,000	-	-	-
Managerial remuneration							
i) Fixed		-	-	7,536	22,757	125,323	74,269
ii) Total variable		-	-	828	1,027	8,109	4,850
of which							
a) Cash bonus / awards	37.1	-	-	828	1,027	8,109	4,850
a) Bonus & awards in shares		-	-	-	-	-	-
Charge for defined benefit plan		-	-	-	1,584	6,133	3,478
Contribution to defined contribution plan		-	-	-	1,901	10,084	5,828
Rent & house maintenance		-	-	-	5,702	29,700	17,517
Utilities		-	-	-	1,901	9,534	5,839
Medical		-	-	-	1,901	10,637	5,839
Conveyance		-	-	1,908	227	30,960	31,383
Others		-	-	-	-	-	-
Total		2,000	53,000	14,272	37,000	230,470	149,003
Number of Persons		1	9	3	1	23	31
		2019					
		Directors		Member shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
		Chairman	Non executives				
		(Rupees in '000)					
Fees and allowances etc.		1,776	47,121	3,602	-	-	-
Managerial remuneration							
i) Fixed		-	-	6,682	21,225	113,891	61,696
ii) Total variable		-	-	-	3,333	15,955	3,229
of which							
a) Cash bonus / awards		-	-	-	3,333	15,955	3,229
a) Bonus & awards in shares		-	-	-	-	-	-
Charge for defined benefit plan		-	-	-	1,467	6,331	3,431
Contribution to defined contribution plan		-	-	-	1,760	9,025	4,841
Rent & house maintenance		-	-	-	5,280	24,035	14,488
Utilities		-	-	-	1,750	7,676	4,829
Medical		-	-	-	1,780	9,653	4,829
Conveyance		611	11,622	2,312	-	23,257	17,628
Others		-	-	28	-	190	746
Total		2,387	58,743	12,624	36,585	210,013	115,717
Number of Persons		1	9	3	1	21	26

The Bank also provides Bank maintained car to certain executives for their own use and business use.

37.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 1 of 2017 dated 25 January 2017 effective from 01 January 2019. The amount of bonus payout deferred at the time of payment to the President, Chief Executive Officer, Key Management Personnel and other Material Risk Takers / Material Risk Controllers, as per the Remuneration Policy as at 31 December 2020 amounts to Rs. 4.432 million (31 December 2019: Nil).

37.2 Fee paid to directors for participation in board and committee meetings

		2020					
		Meeting Fees Paid					
		For Board Committees					
For Board Meetings	Risk Committee	Audit and Compliance Committee	Human Resource and Remuneration Committee	Board Executive Committee	Sustainability and Social Responsibility Committee	Total amount paid	
	(Rupees in '000)						
Mr. Adnan Ahmed Yousif	2,000	-	-	-	-	2,000	
Mr. Tareq Mahmood Kazim	2,000	-	2,000	2,500	1,500	8,000	
Mr. Abdulrahman Shehab	2,000	2,000	2,000	-	-	6,000	
Mr. Salman Ahmed	2,000	2,000	-	2,500	-	6,500	
Mr. Zahid Rahim	2,000	2,000	-	2,500	-	6,500	
Mr. Ahmed Rehman	2,000	2,000	2,000	-	-	6,000	
Mr. Azhar Hamid	2,000	-	2,000	-	1,500	5,500	
Mr. Shafqaat Ahmed	2,000	2,000	-	-	1,500	5,500	
Mr. Mohammed Tareq Sadeq	2,000	-	2,000	-	-	4,000	
Mr. Asheque Moyeed	1,500	-	1,500	2,000	-	5,000	
	19,500	8,000	6,000	7,500	4,500	55,000	

	2019					
	Meeting Fees Paid					
	For Board Committees					
	For Board Meetings	Risk Committee	Audit and Compliance Committee	Human Resource and Remuneration Committee	Board Executive Committee	Sustainability and Social Responsibility Committee
	(Rupees in '000)					
Mr. Adnan Ahmed Yousif	1,776	-	-	-	-	-
Mr. Tareq Mahmood Kazim	2,242	-	-	1,776	1,776	1,776
Mr. Abdulrahman Shehab	1,776	-	1,776	1,776	-	-
Mr. Salman Ahmed	2,243	1,776	-	-	1,776	-
Mr. Zahid Rahim	1,776	1,776	-	-	2,242	-
Mr. Ahmed Rehman	1,776	1,776	-	1,360	-	-
Mr. Azhar Hamid	1,776	-	1,776	-	-	-
Mr. Sharqast Ahmed	1,776	1,360	-	-	-	1,776
Mr. Mohammed Tareq Sadeq	1,776	-	1,776	-	-	1,776
Mr. Najmul Hassan	1,310	-	-	1,310	1,310	-
Mr. Asaf Mohyuddin	-	-	-	-	-	-
	18,227	6,686	5,328	6,222	7,104	5,328
						48,897

37.3 Remuneration paid to shariah board members

	2020			2019		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Fees and allowances etc.	2,000	-	2,000	1,801	-	1,801
Managerial remuneration						
i) Fixed	-	7,536	-	-	8,662	-
ii) Total variable	-	828	-	-	-	-
of which						
a) Cash bonus / awards	-	828	-	-	-	-
a) Bonus & awards in shares	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Conveyance	-	-	-	-	-	-
Others	-	1,908	-	806	1,484	222
Total	2,000	10,272	2,000	2,407	8,194	2,023
Number of Persons	1	1	1	1	1	1

38. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. These securities are carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004. As of 31 December 2019, the Bank does not have any investment as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial

Fair value of Islamic financing and related assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of Islamic financing has been calculated in accordance with the Bank's accounting policy.

The repricing profile and maturity are stated in note 43.2.6 and 43.4.1 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer Islamic financing and deposits are frequently repriced.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

38.1 Fair value of financial assets

The following table provides the fair value measurement hierarchy of the Bank's assets:

2020				
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	20,079,599	28,435,451	-	48,515,050
Other Securities	-	1,121,536	-	1,121,536
Shares	605,810	-	-	605,810
Foreign Securities	2,112,785	-	-	2,112,785
	<u>22,798,194</u>	<u>29,556,987</u>	<u>-</u>	<u>52,355,181</u>
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	15,773,612
Balances with other banks	-	-	-	10,177,095
Due from financial institutions	-	-	-	2,748,221
Investments	-	-	-	4,762,051
Islamic financing and related assets	-	-	-	90,279,044
Other assets	-	-	-	6,312,268
	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,052,291</u>
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	16,049,914	-	16,049,914
Forward sale of foreign exchange	-	16,765,959	-	16,765,959
	<u>-</u>	<u>32,815,873</u>	<u>-</u>	<u>32,815,873</u>
2019				
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	15,437,872	-	15,437,872
Other Securities	-	166,993	-	166,993
Shares	612,020	-	-	612,020
Foreign Securities	2,647,344	-	-	2,647,344
	<u>3,259,364</u>	<u>15,604,865</u>	<u>-</u>	<u>18,864,229</u>
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	28,319,937
Balances with other banks	-	-	-	2,850,550
Due from financial institutions	-	-	-	14,598,633
Investments	-	-	-	5,330,856
Islamic financing and related assets	-	-	-	75,443,712
Other assets	-	-	-	6,786,788
	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,330,274</u>
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	14,154,378	-	14,154,378
Forward sale of foreign exchange	-	12,609,085	-	12,609,085
	<u>-</u>	<u>26,763,463</u>	<u>-</u>	<u>26,763,463</u>

There were no transfer between level 2 and level 3 during the year.

38.2 Valuation techniques used in determination of fair values within level 2 and level 3

Particulars	Valuation approach and input used
Federal Government Securities	The fair value of federal government securities are determined on the basis of rates / prices sourced from Reuters
Non-Government Debt Securities	Investment in non-Government debt securities denominated in local currency are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investment in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg /
Foreign Government Debt Securities	The fair value of overseas Government securities are denominated on the basis of rates taken from Bloomberg / Reuters.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Non banking assets acquired in satisfaction of claims - Gross	Non banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.

39. SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	2020					Total
	Corporate Banking	Commercial & SME Banking	Retail & Consumer Banking	Trading & Sales	Others	
	(Rupees in '000)					
Profit and Loss						
Net profit / return earned	4,873,921	193,938	(2,503,024)	4,267,490	(455,988)	6,376,337
Inter segment revenue - net	-	-	6,921,667	-	1,231,000	8,152,567
Other income	370,679	143,316	274,787	1,161,763	(64,696)	1,885,749
Total Income	5,244,600	337,254	4,693,330	5,429,253	710,316	16,414,653
Segment direct expenses	(209,049)	(920,495)	(4,021,119)	(95,272)	(269,799)	(5,515,734)
Inter segment expense allocation	(4,324,782)	1,288,521	-	(5,116,306)	-	(8,152,567)
Total expenses	(4,533,831)	368,026	(4,021,119)	(5,211,578)	(269,799)	(13,868,301)
Provisions	(753,486)	(384,753)	(110,273)	42,857	(22,293)	(1,207,948)
Profit / (loss) before tax	(42,817)	340,527	561,938	260,532	418,224	1,538,404
Statement of Financial Position						
Cash and balances with treasury banks	-	-	4,851,084	10,922,628.00	-	15,773,612
Balances with other banks	-	-	-	10,177,095	-	10,177,095
Due from financial institutions	-	-	-	2,748,221	-	2,748,221
Investments	4,094,768	-	-	53,022,464	-	57,117,232
Net inter segment lending	-	25,523,155	107,779,875	-	9,112,163	142,415,193
Islamic financing and related assets - performing	53,995,510	12,216,682	19,477,902	-	1,634,744	87,324,718
- non-performing	1,233,379	668,658	1,033,346	-	26,943	2,954,326
Others	3,152,991	1,325,801	2,755,802	1,918,198	7,565,925	16,718,418
Total assets	62,478,648	39,724,176	135,897,708	78,788,506	18,339,776	335,228,815
Bills payable	-	-	3,698,482	-	-	3,698,482
Due to financial institutions	4,439,972	1,280,115	-	2,249	-	5,722,336
Subordinated debt	-	-	-	-	3,174,945	3,174,945
Deposits and other accounts	17,199,482	33,137,752	109,028,493	-	-	159,363,727
Net inter segment borrowing	40,734,080	4,195,014	19,692,894	77,793,205	-	142,415,193
Others	147,931	770,769	2,919,902	9,011	3,979,067	7,826,680
Total liabilities	62,521,465	39,383,650	135,335,771	77,804,465	7,164,012	322,199,363
Equity	(42,817)	340,526	561,938	984,041	11,185,764	13,029,452
Total equity and liabilities	62,478,648	39,724,176	135,897,708	78,788,506	18,339,776	335,228,815
Contingencies and commitments	11,786,383	6,904,318	14,168	32,815,873	347,068	51,867,810

	2019					Total
	Corporate Banking	Commercial & SME Banking	Retail Banking	Trading & Sales	Others	
	(Rupees in '000)					
Profit and Loss						
Net profit / return earned	4,985,195	426,356	(2,498,156)	2,408,618	(310,902)	5,011,111
Inter segment revenue - net	-	1,014,098	6,984,052	-	636,408	8,634,618
Other income	271,090	125,512	358,291	660,479	18,831	1,430,203
Total Income	5,256,285	1,565,966	4,842,187	3,069,097	342,397	15,075,832
Segment direct expenses	(198,342)	(480,616)	(3,179,610)	(72,044)	(1,312,691)	(5,243,303)
Inter segment expense allocation	(5,392,461)	-	-	(3,242,157)	-	(8,634,618)
Total expenses	(5,590,803)	(480,616)	(3,179,610)	(3,314,201)	(1,312,691)	(13,877,921)
Provisions	(795,115)	(231,334)	(58,071)	(101,678)	(4,243)	(1,190,441)
Profit / (loss) before tax	(1,129,633)	854,016	1,604,506	(346,782)	(974,537)	7,570
Statement of Financial Position						
Cash and balances with treasury banks	-	-	28,319,937	-	-	28,319,937
Balances with other banks	-	-	-	2,850,550	-	2,850,550
Due from financial institutions	-	-	-	14,598,833	-	14,598,833
Investments	4,812,102	-	-	19,582,783	-	24,394,885
Net inter segment lending	-	18,295,243	74,819,577	-	7,299,404	100,214,224
Islamic financing and related assets - performing	40,601,834	13,324,235	15,761,145	611,179	1,571,662	71,870,055
- non-performing	1,519,938	1,730,172	280,514	-	43,032	3,573,657
Others	3,729,619	825,419	3,544,818	1,282,846	9,191,807	18,574,509
Total assets	50,463,494	34,178,069	120,525,991	38,925,991	18,105,905	262,198,450
Bills payable	-	-	3,223,721	-	-	3,223,721
Due to financial institutions	2,254,000	194,000	-	1,830,132	-	4,278,132
Subordinated debt	-	-	-	-	3,460,661	3,460,661
Deposits and other accounts	8,209,662	27,750,216	95,694,410	-	-	129,654,288
Net inter segment borrowing	43,022,157	5,311,106	15,628,489	36,252,471	-	100,214,224
Others	107,308	65,729	4,374,886	4,631	4,081,326	8,633,960
Total liabilities	51,593,127	33,321,053	118,921,485	38,087,234	7,541,987	249,464,886
Equity	(1,129,633)	854,016	1,604,506	838,757	10,563,918	12,731,564
Total equity and liabilities	50,463,494	34,178,069	120,525,991	38,925,991	18,105,905	262,198,450
Contingencies and commitments	7,663,613	7,972,495	5,721	26,763,483	230,581	42,635,873

39.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	Pakistan	
	2020	2019
	(Rupees in '000)	
Profit before tax	1,538,404	7,570
Total assets	192,813,622	161,982,226
Total liabilities	179,784,170	149,250,662
Total equity and liabilities	192,813,622	161,982,226
Contingencies and commitments	51,867,810	42,635,873

42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2020 2019
 ----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

11,973,712	11,366,640
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

8,874,080	7,510,836
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Eligible Additional Tier 1 (ADT 1) Capital

1,389,241	1,355,031
-----------	-----------

Total Eligible Tier 1 Capital

10,263,321	8,865,867
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Eligible Tier 2 Capital

1,539,536	2,258,385
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Total Eligible Capital (Tier 1 + Tier 2)

11,802,857	11,124,252
------------	------------

Risk Weighted Assets (RWAs):

Credit Risk

77,349,830	71,806,837
------------	------------

Market Risk

1,702,497	1,587,601
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Operational Risk

12,459,666	10,234,079
------------	------------

Total

91,511,993	83,628,517
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Common Equity Tier 1 Capital Adequacy ratio

9.70%	8.98%
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Tier 1 Capital Adequacy Ratio

11.22%	10.60%
--------	--------

Total Capital Adequacy Ratio

12.90%	13.30%
--------	--------

The minimum capital adequacy ratio required by SBP as at 31 December 2020 is 11.5% (31 December 2019: 12.5%).

Leverage Ratio (LR):

Eligible Tier-1 Capital

10,263,321	8,865,867
------------	-----------

Total Exposures

249,237,843	206,275,588
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Leverage Ratio

4.12%	4.30%
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Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

65,751	43,264,366
--------	------------

Total Net Cash Outflow

35,490	34,820,470
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Liquidity Coverage Ratio

185.27%	124.25%
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Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

134,272	111,735,549
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Total Required Stable Funding

76,869	68,811,546
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Net Stable Funding Ratio

174.68%	162.38%
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42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at www.albaraka.com.pk.

43. RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimizing potential adverse effects on the Bank's financial performance.

This section presents information about Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default (note 43.1).
- Market risk is exposure to market variables such as benchmark rates, exchange rates and equity indices (note 43.2).
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non compliance (note 43.3).
- Liquidity risk is the potential loss arising from Bank's inability to meet its obligations when due (note 43.4).

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. The Bank manages the risk through a framework of risk management, policies and principles, organizational structures, and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Committee (BRC) regularly monitors the Bank's risk profile.

- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and tandem with the strategy to create and enhance shareholders value, while guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organizational structure of the Bank.

Risk management organization

The Board through its sub-committee called BRC oversees the overall risk of the Bank. The Risk Management Department (RMD) is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risk and assists the apex level committee and the various sub-committees in conversion of policies into action.

The BRC comprises Executive, Directors, Non Executive Directors and the Chief Risk Officer. One of the Non Executive directors of the Bank chairs the BRC, who is responsible for planning, management and control of the aforementioned risks of the Bank.

The BRC has delegated some of its tasks of risk management to sub committees which are as follows:

Name of the committees

Chaired by

Credit committee

Chief Executive Officer

Asset and liability management committee (ALCO)

Chief Executive Officer

Audit committee

Non executive director

Credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the asset portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, Banking Companies Ordinance, 1962 and any other regulatory requirement.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large deposits. The Board have approved a comprehensive liquidity management policy.

The Board has constituted an Audit Committee. The Audit Committee works to ensure that the best practices of the Code of Corporate Governance and other policies and procedures are being complied with.

The Bank's Risk Management, Compliance and Internal Audit and Legal Departments support the risk management function. The role of the risk management department is to quantify the risk and the quality and integrity of the Bank's risk-related data. The Compliance Department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal Audit Department reviews the compliance of internal control procedures with internal and regulatory standards.

The COVID - 19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced various fiscal and economic stimulus measures to mitigate its impact. However, the consequences of the COVID-19 pandemic for the global economy and financial sector in particular are still unpredictable.

The SBP has responded to the crisis and has introduced number of regulatory measures to support both banking industry and its customers in these testing times. These include monetary easing, reduction in capital conservation buffer by 100 basis points to 1.5 percent, allowing banks to defer borrowers' principal financing repayments by one year, relaxing regulatory criteria for restructured/rescheduled financing for borrowers who require relief of principal repayment exceeding one year and Incentive for business to retain workers and employees to prevent layoffs, relaxing debt burden ratio and time based criteria for Non-Performing Loan classification etc.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

In response to above macro-prudential measures taken by SBP, the Bank effectively managed borrowers' request for financial relief while maintaining adequate capital and liquidity buffers.

43.1 Credit Risk

Credit risk is the risk of loss to Bank as a result of failure by a client or counterparty to meet its contractual obligations when due. Exposure to credit risks for the Bank arises primarily from financing and investing activities.

The management of credit risk is governed by credit policies approved by the Board. The procedures set out the relevant approval authorities, limit, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The Bank has a well defined credit structure duly approved by the Board under which delegated authorities at various levels are operating and which critically scrutinize and sanction credit. The emphasis is to provide short to medium term trade related Islamic financing and related assets to reputable names, which are self liquidating and Shariah compliant. The risk appraisal system of the Bank has enabled it to build a sound portfolio.

Credit risk management framework forms part of the overall business strategy and credit operations of the Bank. The principles for credit risk management have been laid down in the Bank's credit risk policy, credit manual and credit operations procedure manuals. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and is reviewed and updated (where required) on periodic basis.

The Bank has a rigorous pre-approval evaluation process of credit risk embedded in each credit transactions executed by the business units. The entire process broadly encompasses, gathering relevant information on the borrower, credit investigations and visits, detailed credit appraisal and credit risk assessment and measurement. In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure includes internal limits as established by the senior management and the BOD. Internal limits include limits with respect to BOD approved risk appetite, industry/sector, credit approval authority and exposure with financial institutions. All these limits are monitored on regular basis and exceptions are reported to the relevant authorities for their timely action where necessary.

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensures that no undue concentration of risk is present in the overall credit exposure. The Bank has well established management information set-up which allows efficient and effective assessment, monitoring and management of its credit risk profile in various dimensions.

Provisions are determined in accordance with the requirements of the SBP. The authority to determine provisions and credit valuation adjustments for impaired claims, vests in Credit Operations Department and is according to the SBP regulations.

The Bank expects that several borrowers will be severely impacted by this pandemic. Since many of such borrowers have availed the SBP enabled deferment / restructuring and rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment.

The Bank has further strengthened its credit review procedures in the light of COVID-19 and is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

The Risk Management Group (RMG) is regularly conducting detailed analysis on Sectors/Industries and identify the degree by which the Bank's customers' businesses have impacted amid COVID-19. Based on the ongoing assessment of Sectors / Industries concentration limits have been rationalized keeping in view short term and long term outlook of each sector.

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43.1.1 Due from financial institutions

Credit risk by public / private sector

Public/ Government
Private

Due from financial institutions (Gross)		Non-performing due from financial institutions		Provision held	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
-	-	-	-	-	-
2,748,221	14,598,633	-	-	-	-
2,748,221	14,598,633	-	-	-	-

43.1.2 Investment in debt securities

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing
Mining and Quarrying
Textile
Chemical and Pharmaceuticals
Cement
Sugar
Automobile and transportation equipment
Electronics and electrical appliances
Power (electricity), Gas, Water, Sanitary
Transport, Storage and Communication
Financial
Insurance
Federal Government Securities
Foreign Government Securities
Others

Gross Investments		Non-performing Investments		Provision held	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
61,472	51,788	-	-	-	-
51,592	65,550	34,246	56,903	24,285	37,684
135,862	128,574	125,069	125,069	118,807	118,807
391,633	524,828	67,764	73,449	57,507	80,688
114,090	198,833	32,339	187,768	14,937	89,871
76,144	54,878	41,961	41,961	41,961	41,961
60,166	83,565	47,070	58,549	34,974	38,236
343,845	344,988	32,461	32,461	23,176	23,061
3,548,298	4,125,442	316,160	169,960	192,316	125,506
1,727,586	2,205,273	9,242	9,242	9,242	9,242
52,200	52,200	52,200	52,200	26,154	26,154
50,515,208	16,327,201	-	-	-	-
494,442	471,314	-	-	-	-
177,366	176,184	118,605	148,529	89,313	104,231
57,749,904	24,870,414	877,117	956,151	632,672	675,529

Credit risk by public / private sector

Public/ Government
Private

Gross Investments		Non-performing Investments		Provision held	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
53,146,425	19,558,398	-	-	-	-
4,603,480	5,314,018	877,117	956,151	632,672	675,529
57,749,905	24,870,416	877,117	956,151	632,672	675,529

43.1.3 Islamic financing and related assets

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing
Mining and Quarrying
Textile
Chemical and Pharmaceuticals
Cement
Sugar
Footwear and Leather garments
Automobile and transportation equipment
Electronics and electrical appliances
Construction
Power (electricity), Gas, Water, Sanitary
Wholesale and Retail Trade
Exports/Imports
Transport, Storage and Communication
Financial
Insurance
Services
Individuals / staff
Food products and beverages
Others

Islamic financing and related assets (Gross)		Non-performing Islamic financing and related assets		Provision held	
2020	2019	2020	2019	2020	2019
(Rs in '000)					
2,287,863	1,991,657	15,864	10,794	7,375	4,761
3,817,360	3,090,524	12,202	12,202	12,202	12,202
9,264,305	9,687,390	3,790,986	3,591,009	3,096,027	2,765,931
6,119,980	5,159,969	517,818	538,112	387,254	315,505
2,228,664	1,763,715	-	-	-	-
4,284,057	1,806,882	323,744	323,744	282,747	274,478
589,506	523,731	64,205	64,481	50,620	50,620
1,321,841	1,333,298	3,500	9,339	-	2,321
2,408,299	2,451,484	331,929	292,510	78,102	68,307
1,577,668	1,545,266	371,957	574,121	283,538	273,797
2,148,402	1,831,288	-	-	-	-
2,484,263	2,724,492	175,292	183,023	60,733	48,220
524,763	803,824	20,452	21,690	20,452	9,209
6,742,857	7,212,736	87,239	141,349	51,014	63,721
92,812	82,812	89,035	89,035	88,051	88,051
5,086	7,620	-	-	-	-
4,473,405	3,112,682	232,489	60,815	152,469	36,815
23,216,479	18,070,139	657,597	554,474	310,564	242,134
20,837,854	9,501,629	2,137,926	2,045,761	1,217,106	927,409
2,929,953	8,729,297	679,793	731,961	499,428	493,191
97,355,367	81,290,324	9,512,008	9,250,329	6,557,682	5,676,672

Credit risk by public / private sector

Public/ Government
Private

Islamic financing and related assets (Gross)		Non-performing Islamic financing and related assets		Provision held	
2020	2019	2020	2019	2020	2019
(Rs in '000)					
15,702,300	11,686,889	-	-	-	-
81,653,067	69,623,635	9,512,008	9,250,329	6,557,682	5,676,672
97,355,367	81,290,324	9,512,008	9,250,329	6,557,682	5,676,672

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43.1.4 *Contingencies and Commitments*

Credit risk by industry sector

	2020	2019
	Amount in Rs '000	
Agriculture, Forestry, Hunting and Fishing	199,819	318,109
Mining and Quarrying	10,700	356,538
Textile	1,397,831	1,365,114
Chemical and Pharmaceuticals	2,581,731	3,226,544
Cement	156,226	8,027
Sugar	148,222	763
Footwear and Leather garments	140,652	143,142
Automobile and transportation equipment	491,747	384,748
Electronics and electrical appliances	1,289,407	994,377
Construction	939,539	881,031
Power (electricity), Gas, Water, Sanitary	2,035,890	1,073,869
Wholesale and Retail Trade	1,263,486	1,494,250
Exports/Imports	366,851	1,230,807
Transport, Storage and Communication	637,372	740,526
Financial	32,924,755	26,889,157
Services	1,069,221	546,042
Food products and beverages	2,809,383	249,010
Others	3,517,178	2,735,418
	51,867,810	42,635,873
Credit risk by public / private sector		
Public/ Government	628,353	335,170
Private	51,339,457	42,300,703
	51,867,810	42,635,873

43.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 29,777 million (31 December 2019: Rs 21,121 million) are as following:

	2020	2019
	Rupees in '000	
Funded	26,456,139	17,228,825
Non Funded	3,320,598	3,892,052
Total Exposure	29,776,737	21,120,877

The sanctioned limits against these top 10 exposures aggregated to Rs 33,849 million (31 December 2019: Rs 26,234 million). The bank's top 10 exposures are performing in nature.

43.1.6 Islamic financing and related assets - Province/Region-wise Disbursement & Utilization

Province/Region	2020						
	Disbursements			Utilization			
	Punjab	Sindh	KPK Including FATA	Balochistan	Islamabad	AJK Including Gilgit-	
Punjab	53,143,088	53,143,088	-	-	-	-	-
Sindh	59,630,155	-	59,630,155	-	-	-	-
KPK including FATA	443,848	-	-	443,848	-	-	-
Balochistan	202,170	-	-	-	202,170	-	-
Islamabad	4,362,544	-	-	-	-	4,362,544	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	117,781,805	53,143,088	59,630,155	443,848	202,170	4,362,544	-
Province/Region	2019						
	Disbursements			Utilization			
	Punjab	Sindh	KPK Including FATA	Balochistan	Islamabad	AJK Including Gilgit-	
Punjab	52,162,818	52,162,818	-	-	-	-	-
Sindh	38,093,440	-	38,093,440	-	-	-	-
KPK including FATA	280,481	-	-	280,481	-	-	-
Balochistan	94,602	-	-	-	94,602	-	-
Islamabad	3,007,868	-	-	-	-	3,007,868	-
AJK including Gilgit-Baltistan	5,978	-	-	-	-	-	5,978
Total	93,645,167	52,162,818	38,093,440	280,481	94,602	3,007,868	5,978

43.2 Market Risk

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as profit rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The main objective of the Bank's market risk management is to minimize market risk and to facilitate business growth within a controlled and transparent risk management framework.

Market risk arise from investment in sukuk, equities and dealing in foreign exchange transactions.

Market risk is being monitored by ALCO and performs following functions in relation to market risk:

- Regular periodic review of market risk, based on economic review reports.
- Keeps an eye on the structure / composition of Bank's assets and liabilities and decide upon product pricing for deposits, Islamic financing and related assets.
- Develop future business strategy in view of the latest trends / policy in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

43.2.1 Statement of Financial Position split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	15,773,612	-	15,773,612	26,319,937	-	26,319,937
Balances with other banks	10,177,095	-	10,177,095	2,850,550	-	2,850,550
Due from financial institutions	2,748,221	-	2,748,221	14,598,633	-	14,598,633
Investments	56,553,125	564,107	57,117,232	23,598,671	598,214	24,196,885
Islamic financing and related assets	90,279,044	-	90,279,044	75,443,712	-	75,443,712
Fixed assets	4,396,282	-	4,396,282	4,868,271	-	4,868,271
Intangible assets	1,329,654	-	1,329,654	1,477,211	-	1,477,211
Deferred tax assets	2,640,784	-	2,640,784	2,839,139	-	2,839,139
Other assets	8,351,698	-	8,351,698	9,389,888	-	9,389,888
	192,249,515	564,107	192,813,622	161,386,012	598,214	161,984,226

43.2.2 Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. Objective of foreign exchange risk management function is to minimize the adverse impact of foreign exchange assets and liabilities mismatch and maximize the earnings. The Bank manages this risk by setting and monitoring dealer, currency, inter exposures, stop loss and counter party limits for on and off balance sheet financial instruments.

	2020				2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)				(Rupees in '000)			
Pakistan rupee	176,952,211	164,876,498	(716,046)	11,359,668	149,615,436	135,452,032	1,545,293	15,708,697
US Dollar	14,457,144	12,539,500	1,851,945	3,769,589	11,357,258	11,743,351	(342,808)	(728,701)
Great Britain pound	705,774	1,345,727	(697,018)	(1,336,971)	368,074	1,186,970	(867,822)	(1,696,718)
Euro	301,897	735,165	(448,643)	(881,911)	282,822	575,420	(334,863)	(627,481)
Arab Emirates Dirham	266,638	228,377	-	38,261	173,577	166,943	-	6,634
Japanese Yen	15,914	6,841	(15,517)	(8,444)	13,354	20	-	13,334
Canadian Dollar	8,856	-	-	8,856	13,374	-	-	13,374
Singapore Dollar	36	36	-	-	34	34	-	-
Swiss Frank	-	2,249	-	(2,249)	14,536	-	-	14,536
Chinese Yuan	105,149	49,774	25,276	80,653	143,758	125,889	-	17,869
Malaysian Ringit	3	3	-	-	3	3	-	-
	192,813,622	179,784,170	-	13,029,452	161,982,226	149,250,682	-	12,731,564

The exposures of the Bank to foreign exchange risk is also restricted by the statutory limit on aggregate exposure prescribed by the SBP.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	9,713	(7,160)	(14,466)	15,453

43.2.3 Equity Position Risk

Equity position includes the following:

- Strategic investment
- Investment in equities for generating revenue in short term

The equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Financial Reporting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	4,397	25,894	1,941	27,901
- Other comprehensive income	-	-	-	-

43.2.4 Yield / profit rate risk

It includes all material yield risk positions of the Bank taking into account all re-pricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be re-priced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the bank by applying upward and downward shocks

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in profit rates on				
- Profit and loss account	(149,986)	3,350	(268,286)	-
- Other comprehensive income	-	-	-	-

43.2.5 Mismatch of Yield Rate Sensitive Assets and Liabilities

Effective Yield	Total	2020										Non-interest bearing financial instruments
		Exposed to Yield risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
rate												
(Rupees in '000)												
Assets												
Cash and balances with treasury banks	15,773,612	-	-	-	-	-	-	-	-	-	-	15,773,612
Balances with other banks	10,177,095	4,290,436	-	-	-	-	-	-	-	-	-	5,886,659
Due from financial institutions	2,748,221	1,902,794	845,427	-	-	-	-	-	-	-	-	-
Investments	57,117,232	6,819,669	10,537,536	32,196,177	2,677,635	2,349,146	512,849	1,487,742	-	-	-	636,488
Islamic financing and related assets-net	90,279,044	29,027,629	18,366,717	22,102,668	15,269,559	2,062,909	50,493	79,416	247,961	1,067,331	-	2,024,471
Other assets	5,014,556	-	-	-	-	-	-	-	-	-	-	5,014,556
	182,109,760	42,040,418	29,739,680	54,298,835	17,847,194	4,402,055	563,342	1,567,158	247,961	1,067,331	-	30,335,786
Liabilities												
Bills payable	3,696,482	-	-	-	-	-	-	-	-	-	-	3,696,482
Due to financial institutions	5,722,336	120,616	2,439,518	786,509	17,167	-	-	-	-	-	-	2,358,526
Deposits and other accounts	159,363,727	118,946,215	-	-	-	-	-	-	-	-	-	40,418,512
Subordinated debt	3,174,945	-	1,785,704	-	1,389,241	-	-	-	-	-	-	-
Other liabilities	5,827,485	-	-	-	-	-	-	-	-	-	-	5,827,485
	177,784,975	119,066,831	4,225,222	786,509	1,406,408	-	-	-	-	-	-	52,301,005
On-balance sheet gap	4,324,785	(77,025,413)	25,514,458	53,512,326	16,440,786	4,402,055	563,342	1,567,158	247,961	1,067,331	-	(21,965,219)
Non financial assets												
Fixed assets	4,396,282	-	-	-	-	-	-	-	-	-	-	4,396,282
Intangible assets	1,329,654	-	-	-	-	-	-	-	-	-	-	1,329,654
Other assets	2,337,142	-	-	-	-	-	-	-	-	-	-	2,337,142
Deferred tax assets	2,640,784	-	-	-	-	-	-	-	-	-	-	2,640,784
	10,703,862	-	-	-	-	-	-	-	-	-	-	10,703,862
Non financial liabilities												
Other liabilities	1,999,195	-	-	-	-	-	-	-	-	-	-	1,999,195
	13,029,452	-	-	-	-	-	-	-	-	-	-	13,029,452
Total net assets												
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts	32,815,873	-	-	-	-	-	-	-	-	-	-	32,815,873
- guarantees	8,052,300	-	-	-	-	-	-	-	-	-	-	8,052,300
- letter of credit	10,638,401	-	-	-	-	-	-	-	-	-	-	10,638,401
- acquisition of operating fixed assets	14,168	-	-	-	-	-	-	-	-	-	-	14,168
- others	347,068	-	-	-	-	-	-	-	-	-	-	347,068
	51,867,810	-	-	-	-	-	-	-	-	-	-	51,867,810
Off-balance sheet gap												
Total Yield Risk Sensitivity Gap	(77,025,413)	26,514,458	53,512,326	16,440,786	4,402,055	563,342	1,567,158	247,961	1,067,331	29,902,591	-	29,902,591
Cumulative Yield Risk Sensitivity Gap	(77,025,413)	(51,510,956)	2,001,371	18,442,157	22,844,212	23,407,554	24,974,712	25,222,673	26,290,004	56,192,695	-	56,192,695

	Effective Yield	Total	2019										Non-interest bearing financial instruments
			Exposed to Yield risk										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments													
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	-	26,319,937	-	-	-	-	-	-	-	-	-	-	26,319,937
Balances with other banks	5.22%	2,850,550	1,207,952	-	-	-	-	-	-	-	-	-	1,642,598
Due from financial institutions	11.42%	14,598,633	2,002,733	9,452,157	3,143,743	-	-	-	-	-	-	-	-
Investments	11.43%	24,194,865	100,000	11,421,668	5,264,797	774,687	3,361,791	2,158,079	471,314	-	-	-	642,549
Islamic financing and related assets	14.92%	75,443,712	15,093,921	23,463,862	21,120,685	10,513,025	372,042	250,704	64,978	-	-	1,004,918	3,289,447
Other assets	-	6,786,644	-	-	-	-	-	-	-	-	-	-	6,786,644
		150,194,361	18,404,606	44,337,687	29,529,225	11,287,712	3,733,833	2,408,783	536,292	270,130	1,004,918	-	38,681,175
Liabilities													
Bills payable	-	3,223,721	-	-	-	-	-	-	-	-	-	-	3,223,721
Due to financial institutions	2.00%	4,278,132	-	1,821,700	2,456,432	-	-	-	-	-	-	-	-
Deposits and other accounts	9.74%	129,654,288	101,807,187	-	-	-	-	-	-	-	-	-	27,847,101
Subordinated debt	15.33%	3,460,661	-	2,071,420	-	1,389,241	-	-	-	-	-	-	-
Other liabilities	-	6,280,000	-	-	-	-	-	-	-	-	-	-	6,280,000
		146,896,802	101,807,187	3,893,120	2,456,432	1,389,241	-	-	-	-	-	-	37,350,822
On-balance sheet gap													
		3,297,559	(83,402,581)	40,444,567	27,072,793	9,898,471	3,733,833	2,408,783	536,292	270,130	1,004,918	-	1,330,353
Non financial assets													
Fixed assets		4,868,271											
Intangible assets		1,477,211											
Other assets		2,603,244											
Deferred tax assets		2,839,139											
		11,787,865											
Non Financial liabilities													
Other liabilities		2,353,860											
		12,731,564											
Total net assets													
Off-balance sheet financial instruments													
Commitments in respect of:													
- forward foreign exchange contracts		26,763,463	-	-	-	-	-	-	-	-	-	-	26,763,463
- guarantees		8,233,993	-	-	-	-	-	-	-	-	-	-	8,233,993
- letter of credit		7,402,115	-	-	-	-	-	-	-	-	-	-	7,402,115
- acquisition of operating fixed assets		5,721	-	-	-	-	-	-	-	-	-	-	5,721
- others		230,561	-	-	-	-	-	-	-	-	-	-	230,561
		42,635,873	-	-	-	-	-	-	-	-	-	-	42,635,873
Off-balance sheet gap													
		(83,402,581)	40,444,567	27,072,793	9,898,471	3,733,833	2,408,783	536,292	270,130	1,004,918	-	-	43,966,226
Total Yield Risk Sensitivity Gap													
Cumulative Yield Risk Sensitivity Gap													
		(83,402,581)	(42,958,014)	(15,885,221)	(5,986,750)	(2,252,917)	155,866	692,158	962,288	1,967,206	-	-	45,933,432

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43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non-compliance. In this regard, an Operational Risk Management unit has been established within the Risk Management Department.

The Bank has Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the Bank over the past three years with 15% as per guidelines issued by SBP.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

The Bank is also supervised by the Shariah Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant. The internal audit function of the Bank performs regular audit on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risk associated with operational activities.

A business continuity program have also been formulated and approved by the Board of Directors to ensure uninterrupted flow of operations of the Bank.

COVID-19 pandemic has created an unprecedented challenge for banks in terms of Business Continuity Management. The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers.

Business Continuity Plans (BCP) for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff, where required, while ensuring adequate controls to ensure that Bank's information assets are adequately protected from emerging cyber threats and comply with regulatory requirements. The Bank is regularly communicating with its customers for providing awareness about health and safety measures and how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored.

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43.4 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet its obligation when due.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon.

LCR has been defined as
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a maximum 50% haircut.

The term "Total net cash outflows" is defined as the total expected cash outflows minus total expected cash inflows in the stress scenario for the subsequent 30 calendar days.

The most significant drivers of the Bank's cash outflow were Retail and unsecured wholesale funding. Unsecured funding transactions include funds provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks and PSEs.

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

NSFR has been defined as
$$\frac{\text{Available amount of Stable Funding (Funding Source)}}{\text{Required amount of Stable Funding (Funding User)}}$$

The amount of available stable funding (ASF) is measured mainly on the broad characteristics of the relative stability of a bank's funding sources (equity and liabilities), contractual maturity of its liabilities and the difference in the tendency to withdraw their funding by different types of funding providers.

The amount of required stable funding (RSF) is measured based on the broad characteristics of the liquidity risk profile of the Bank's assets and off-balance sheet (OBS) exposures.

As per Bank's Investment Policy ALCO shall be the management's governing committee mainly responsible for Market and Liquidity risks pertaining to balance sheet and off-balance sheet items. It is ALCO's responsibility to establish and monitor liquidity targets as well as strategies and tactics to meet those targets. Furthermore, ALCO will ensure that sufficient liquidity is available for unanticipated contingencies. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board of Directors have approved a comprehensive liquidity management policy.

Management of liquidity is centrally managed through the Treasury within the Bank. The Bank has sufficient liquidity sources for outflows and management is of the view that the Bank is adequately liquid as required by LCR and NSFR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and/or on need basis based on systemic risks.

The Bank has a comprehensive Contingency plan that specifies strategies for dealing with the liquidity problem and outlines particular funding sources that would be drawn upon as part of the overall strategy. It also outlines trigger points that would be indicative of the crisis and lays the course of action taken by the institution for handling such a crises.

In view of the relaxation granted by SBP for deferral of principal and profit and rescheduling of financing, there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking necessary precautionary measures where needed. The Bank is confident that the liquidity buffer currently maintained by the Bank in the form Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are sufficient to cater any adverse movement in cash flow maturity profile.

43.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

2020

	2020													
	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	15,773,812	15,773,812	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	10,177,086	10,177,086	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	2,749,221	-	-	967,639	945,156	846,436	-	-	-	-	-	-	-	-
Investments	97,117,232	638,487	-	-	-	-	300,803	810,089	-	2,730,414	2,449,595	725,737	26,296,672	23,165,835
Islamic financing and related assets - net	90,279,044	96,377	-	1,231,031	4,781,097	4,106,886	19,832,981	18,330,107	5,383,327	3,668,155	11,744,928	8,146,781	8,824,740	3,643,579
Fixed assets	4,398,282	-	-	-	63,014	18,247	136,152	583,127	82,112	406,261	768,571	738,017	1,031,817	591,124
Intangible assets	1,329,654	-	-	-	12,537	28,074	27,595	64,252	112,832	74,765	162,855	140,386	227,500	481,948
Deferred tax assets	2,640,784	-	-	-	-	-	81,979	109,880	-	155,673	588,074	1,894,065	-	-
Other assets	8,351,698	4,012,760	3,798	438	1,480,159	73,539	741,895	550,371	19,427	136,847	57,978	1,024,692	274,362	-
	192,813,822	30,696,281	699,205	2,119,108	7,313,067	5,068,972	20,920,036	20,428,426	5,597,698	7,142,005	15,790,969	12,466,658	36,658,891	27,382,288
Liabilities														
Bills payable	3,696,482	3,696,482	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	5,722,336	2,249	2,000	15,800	102,916	1,211,132	1,228,388	786,509	-	17,187	2,336,366	-	19,911	-
Deposits and other accounts	159,383,727	104,884,488	731,235	6,110,758	10,045,923	4,201,717	6,901,317	8,265,191	5,802,065	3,825,095	3,109,044	1,317,512	468,896	-
Subordinated debt	3,174,945	-	-	-	-	-	142,855	-	-	142,849	-	-	1,500,000	1,389,241
Other liabilities	7,826,680	2,158,400	123,400	6,171	2,663,499	103,495	604,992	533,019	584,139	319,638	186,528	177,895	67,185	258,519
	179,784,170	114,781,599	858,635	6,132,729	12,811,344	5,516,344	8,577,550	9,884,719	5,387,264	4,304,749	5,631,838	1,495,507	2,085,932	1,847,360
Net assets	13,029,452	(84,085,318)	(157,430)	(3,943,521)	(5,498,277)	(447,372)	12,442,486	10,543,707	(789,566)	2,837,256	10,119,051	10,971,151	34,602,899	20,234,478

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2019

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	26,319,937	26,319,937	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,850,550	2,850,550	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	14,590,033	-	929,086	774,238	7,187,105	2,265,051	3,143,744	2,035,607	774,887	3,979,058	2,325,072	752,914	13,685,003	-
Investments	24,184,885	642,550	1,207,729	4,609,002	5,627,589	13,556,647	16,343,191	3,799,997	2,984,650	9,456,228	6,909,727	5,608,328	3,408,594	-
Islamic financing and related assets - net	75,443,712	345,606	-	-	-	-	556,118	-	349,248	654,310	512,288	923,302	1,984,453	-
Flood assets	4,688,271	-	-	62,620	-	115,934	41,089	-	74,163	148,325	109,869	137,068	916,319	-
Intangible assets	1,477,211	-	-	13,009	-	36,593	-	-	354,659	461,086	684,184	1,171,880	-	-
Deferred tax assets	2,639,139	-	-	-	-	-	177,330	-	443,767	56,415	946,139	-	-	-
Other assets	3,874,304	84,814	84,814	89,292	-	1,913,034	980,219	-	-	-	-	-	-	-
	161,982,226	34,032,947	2,221,929	6,350,951	12,814,694	17,387,249	21,811,887	5,838,598	4,981,172	14,745,422	11,187,279	8,293,479	20,904,359	-
Liabilities														
Bills payable	3,223,721	3,223,721	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	4,278,132	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	129,634,298	84,960,323	2,887,657	6,524,169	6,630,286	6,672,208	7,750,104	4,874,098	4,053,795	1,286,150	3,912,038	501,608	-	-
Sub-ordinated loans	3,450,691	-	-	-	-	142,868	-	-	142,865	285,710	-	1,500,000	1,389,241	-
Other liabilities	8,633,860	835,584	188,069	3,432,972	78,320	1,785,440	543,860	451,423	273,978	186,528	146,200	67,186	435,427	-
	149,230,662	89,319,629	3,082,716	1,123,142	6,708,606	9,392,200	10,680,396	5,125,521	4,470,626	1,730,388	4,058,536	2,068,794	1,824,669	-
Net assets	12,731,564	(54,986,681)	(961,087)	(592,618)	(5,196,088)	8,595,049	11,131,251	710,077	510,546	13,007,034	7,128,443	5,224,685	18,179,691	-

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43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

Saving and current accounts have been bucketed on the basis of behavioral study conducted by the Bank.

		2020									
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks		15,773,612	15,773,612	-	-	-	-	-	-	-	-
Balances with other banks		10,177,095	10,177,095	-	-	-	-	-	-	-	-
Due from financial institutions		2,748,221	1,902,795	845,426	-	-	-	-	-	-	-
Investments		57,117,232	636,487	300,603	810,089	2,730,414	2,449,595	725,737	26,298,672	23,065,636	100,000
Islamic financing and related assets - net		90,279,044	6,797,862	23,739,887	18,330,107	9,051,482	11,744,926	8,146,761	8,824,740	2,522,871	1,120,708
Fixed assets		4,396,262	63,014	163,399	563,127	488,463	768,521	735,017	1,033,617	591,124	-
Intangible assets		1,329,654	12,537	52,579	64,252	187,597	162,855	140,386	227,500	481,948	-
Deferred tax assets		2,640,784	31,113	81,979	109,880	155,673	568,074	1,694,065	-	-	-
Other assets		8,351,698	5,503,146	815,435	550,971	126,074	57,018	1,024,692	274,362	-	-
		192,813,622	40,897,661	25,989,008	20,428,426	12,739,703	15,750,989	12,466,658	36,658,891	26,561,578	1,220,708
Liabilities											
Bills payable		3,696,482	3,696,482	-	-	-	-	-	-	-	-
Due to financial institutions		5,722,336	122,855	2,439,518	786,509	17,167	2,336,366	-	19,911	-	-
Deposits and other accounts		169,363,727	27,775,470	19,513,790	15,887,104	20,516,806	19,441,715	17,650,583	16,801,566	16,332,670	5,444,223
Subordinated debt		3,174,945	-	142,855	-	142,849	-	-	-	1,500,000	1,389,241
Other liabilities		7,826,680	4,991,470	708,487	533,019	903,777	186,528	177,595	67,185	258,519	-
		179,784,170	36,596,287	22,804,650	17,206,532	21,580,399	21,964,609	17,828,178	16,888,662	18,091,289	6,833,464
Net assets		13,029,452	4,311,374	3,184,358	3,221,794	(8,840,696)	(6,213,620)	(5,361,520)	19,770,229	8,570,289	(5,612,756)

Represented by	
Share capital-net	14,500,490
Reserves	332,231
Surplus on revaluation of assets - net of tax	723,509
Accumulated losses	(2,526,778)
	13,029,452

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2019

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	26,319,937	26,319,937	-	-	-	-	-	-	-	-
Balances with other banks	2,850,550	2,850,550	-	-	-	-	-	-	-	-
Due from financial institutions	14,598,633	2,002,733	9,452,156	3,143,744	-	-	-	-	-	-
Investments	24,194,885	642,550	-	-	-	-	-	-	-	-
Islamic financing and related assets - net	75,443,712	7,348,774	19,284,236	16,943,191	2,810,288	3,979,058	2,325,072	752,914	13,585,003	100,000
Fixed assets	4,858,271	52,620	115,934	555,118	6,784,647	9,456,228	6,609,727	5,608,325	2,428,831	979,753
Intangible assets	1,477,211	13,809	36,583	41,085	349,246	654,310	512,288	623,302	1,994,453	-
Deferred tax assets	2,839,139	-	-	177,330	74,163	148,325	109,889	137,058	916,319	-
Other assets	9,389,888	5,080,314	1,913,034	950,219	354,659	451,086	684,184	1,171,880	-	-
	161,982,226	44,321,287	30,801,943	21,811,687	10,816,770	14,745,422	11,187,279	8,293,479	18,924,606	1,079,753
Liabilities										
Bills payable	3,223,721	3,223,721	-	-	-	-	-	-	-	-
Due to financial institutions	4,278,132	-	1,891,700	2,386,432	-	-	-	-	-	-
Deposits and other accounts	129,654,288	19,198,745	18,966,461	13,660,578	17,182,855	13,948,593	16,595,079	13,184,052	12,682,443	4,227,482
Subordinated debt	3,460,661	-	142,855	-	142,855	285,710	-	-	1,500,000	1,389,241
Other liabilities	8,633,860	4,665,500	1,863,760	543,860	725,399	185,628	146,200	67,186	435,427	-
	149,250,662	27,067,966	22,864,776	16,598,870	18,051,109	14,420,831	16,741,279	13,251,238	14,617,870	5,616,723
Net assets										
	12,731,564	17,233,321	7,937,167	5,212,817	(7,234,339)	324,591	(5,554,000)	(4,957,759)	4,306,736	(4,536,970)
Represented by										
Share capital-net	14,500,490									
Reserves	179,384									
Surplus on revaluation of assets - net of tax	1,185,540									
Accumulated losses	(3,133,850)									
	12,731,564									

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44. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

44.1 General remunerative depositors' pools / IERS pools / Treasury Pools

2020							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General Pool - PKR	Jan to Dec 2020	43%	Monthly	2,280,820	17.5%	8.99%	5.9%
General Pool - FCY	Jan to Dec 2020	80%	Monthly	36,520	12.6%	0.8%	0.2%
Islamic Export Refinance Pool	Jan to Dec 2020	88%	Monthly	-	-	7.5%	1.9%
Treasury Pool	Jan to Dec 2020	62%	Variable	-	-	11.2%	6.6%
Special Depositors' Pool	Jan to Dec 2020	40%	Variable	1,682,592	22.2%	12.0%	8.3%

2019							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General Pool - PKR	Jan to Dec 2019	42%	Monthly	2,854,023	46.0%	10.4%	8.1%
General Pool - FCY	Jan to Dec 2019	78%	Monthly	87,496	35.2%	1.8%	0.8%
Islamic Export Refinance Pool	Jan to Dec 2019	90%	Monthly	-	-	8.0%	1.7%
Treasury Pool	Jan to Dec 2019	82%	Variable	-	-	14.8%	9.4%
Special Depositors' Pool	Jan to Dec 2019	37%	Variable	1,270,666	46.2%	14.1%	11.6%

45. COMPLAINT MANAGEMENT

45.1 Mechanism of the complaint Management Unit

The Bank seeks to maintain its reputation as one of the market players who believe in delivering high quality Islamic Banking Services, and also committed to maintain responsiveness to the needs and concerns of its customers. The Bank has a designated separate and independent Complaint Management Unit (CMU) under Corporate Communication Department to handle complaints / grievances of the customers as per the Consumer Grievances Handling Mechanism (CGHM) policy issued by SBP. The unit is efficiently performing its role and it is totally independent in scrutinizing, investigating and efficient closures of the complaints / queries raised by customers.

CMU is the responsible unit whose role is to be an effective intermediary between the customers and the core units of the Bank to get customer complaints properly responded and answered. The unit's core focus is the quick and efficient resolution of the complaints, analyses root cause of complaints and taking necessary measures to ensure its non-recurrence and to improve the service quality. The statistical data provided by CMU enables the concerned departments / units in improving performance and provision of quality service to the customers.

45.2 Lodgment of complaints

The complaint lodgment procedure is adequately displayed in all our branches as well as on our Corporate website www.albaraka.com.pk. Further, details regarding lodgment of a complaint to Banking Mohtasib Pakistan and State Bank of Pakistan are also prominently displayed.

The Bank receive complaints from following sources:

- 1) Phone Banking / call centre
- 2) Letter / CEO Office / Drop Box / Email
- 3) Banking Mohtasib Pakistan / SBP
- 4) Social Media/ Website

During 2020, the Bank received 7,009 complaints through different channels, out of which 98.2% were investigated and resolved. The Bank follows defined standards, practices and regulatory requirements in resolution of complaints lodged with the Bank.

45.3 Steps of complaint resolution or handling of complaint

Fundamental steps of complaint handling as defined by SBP in BC & CPD Circular No. 01 of 2016 being followed in the Bank are as follows:

- 1) Acknowledgment of receipt of complaint.
- 2) Investigation and tagging of complaint to relevant department / branches.
- 3) Interim update to customer, if complaint resolution exceeds the defined timeline.
- 4) Intimation of resolution of complaint to customer.
- 5) Root cause analysis of the complaint.
- 6) Suggestions for required actions and its non-recurrence.
- 7) Issuing monthly MIS to all the stakeholders.

45.4 New initiatives

The Bank consistently endeavor to provide superior customer services and in order to give better customers experience, below are the few initiatives taken by the Bank during 2020.

- The Bank has arranged training sessions for empowering the front end staff to comprehend the concept of Handling Customer's Complaints and Grievances.
- For the ease of lodgment, Bank has launched a well designed webpage for customers with the advance features to lodge their complaints/ suggestion/ feedback through our website.

46. RECLASSIFICATIONS

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year.

47. GENERAL

Figures have been rounded off to the nearest thousand rupees.

48. DATE OF AUTHORISATION

These financial statements were authorized for issue on 04 MAR 2021 by the Board of Directors of the Bank.

The block contains five handwritten signatures in blue ink, each positioned above a horizontal line. From left to right, the signatures correspond to the Chief Executive Officer, Chief Financial Officer, Chairman, and two Directors. The signature of the Chairman is notably large and stylized, extending over the signature of the first Director. The signature of the second Director is also large and stylized, with a long horizontal stroke extending to the right.

Chief Executive Officer Chief Financial Officer Chairman Director Director

STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2020

Annexure - I

Rupees in thousands

Sr. No.	Name of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's name	Outstanding Liabilities at beginning of year				Written-off		Waiver		Total (9+10+11)
				Principal	Profit	Other financial relief	Total (5+6+7)	Principal	Profit	Other financial relief		
1	2	3	4	5	6	7	8	9	10	11	12	
1	ABDUL AZIZ	ABDUL AZIZ: 42301-0896502-9	AKBAR KHAN	-	-	1,491	1,491	-	-	1,491	1,491	
		TANVEER ELLAHI:35200-5522225-3	EHSAN ELLAHI									
		SHAHRIKH ELLAHI:35202-6374883-5	TANVEER ELLAHI									
		JEHANGIR ELLAHI:35202-2561091-5	EHSAN ELLAHI	13,321	636	29,176	43,133	11,626	636	29,176	41,437	
2	TAJ TEXTILE MILLS	AMIR JHANGIR:35202-0676798-7	JEHANGIR ELLAHI									
		TARIQ LATIF:35201-8390613-3	M. LATIF									
		SHEIKH M ASHRAF:35202-9135980-9	SHEIKH NASEER-UD-DI									
		ASHFAQ NADEEM : 35202-5269188-9	MOHAMMAD BASHIR	13,321	636	30,667	44,624	11,626	636	30,667	42,928	

CA

ALBARAKA BANK (PAKISTAN) LIMITED
FINANCIAL STATEMENTS
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Annexure - II

STATEMENT SHOWING CHARITY PAID OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2020

----Rupees in thousands----		
Names	31 December 2020	31 December 2019
The Citizens Foundation	7,800	-
Alamgir Welfare Trust International	5,000	7,000
Pakistan Red Crescent Society	4,500	-
Sundas Foundation	3,600	500
Lahore Businessmen Association For Rehabilitation Of Disabled (Labard)	3,500	2,500
Orange Tree Foundation	2,650	500
Afzaal Memorial Thalassemia Foundation - AMTF	2,500	3,500
Indus Hospital	2,500	10,000
Greenewable Solar (Pvt) Limited	2,480	2,520
Al Khidmat Foundation Pakistan	2,000	-
Shahid Afridi Foundation	1,800	-
Anjuman Akhwan Us Safa	1,575	-
The Hunar Foundation	1,500	-
Green Crescent Trust	1,380	-
Burn & Children Care Welfare Organization	1,000	-
Prime Minister Covid-19 Pandemic Relief Fund 2020	782	-
Maulana Shafqat Ali	524	-
RIZQ	500	-
Bint-E-Fatima Old Home Trust	500	500
Al Mustafa Trust	500	-
Cancer Care Hospital & Research Center	500	-
Healthcare And Social Welfare Association - HASWA	500	850
Lady Dufferin Hospital	500	-
Neurology Research & Patient Welfare Fund (National Epilepsy Center)	500	500
Patients Welfare Jinnah Hospital Lahore	500	-
The Cancer Foundation	500	-
Family Educational Services Foundation - Fesf	500	1,000
Pakistan Foundation Fighting Blindness	500	-
Society For Audiological & Developmental Ailments (Sada)	500	-

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